



2017/2018

**ANNUAL IDP, BUDGET AND
SUPPORTING DOCUMENTATION
OF MOGALE CITY LOCAL
MUNICIPALITY**

ANNUAL BUDGET OF
MOGALE CITY LOCAL
MUNICIPALITY

2017/2018 TO 2019/2020
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Mayor's Report

Mayor to deliver his speech at the final approval of the budget.

1.2 Introduction

1. South African economy and inflation targets

The 2017 Budget Review emphasized that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardize South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

2. Municipal Standard Chart of Accounts (*mSCOA*)

The *mSCOA* Regulations apply to all municipalities and municipal entities with effect from 1 July 2017.

MSCOA provides for several mechanisms for strengthening accountability, facilitating budget reporting and adding value to the budget process to ultimately improve Service Delivery.

2.1 Overview of *mSCOA* budget

Improved processes for municipal planning and budgeting empower a council to make more informed decisions and are fundamental to sustainable and efficient service provision.

After alignment of the processes and systems to the new *mSCOA* classification framework, the data and underlying insight on the information will have a great impact on the reporting and decisions made by management and other users.

Responsible planning and accurate budgeting drive transparent operations, and if a municipality is required to transact in an accountable manner this must originate during the budget process. It would not be feasible to transact in an *mSCOA* compliant manner, if planning was not done accordingly.

Therefor MFMA Circular 85 states the following:

- "...the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the *mSCOA* classification framework."
- "All the tabled 2017/18 MTREF budgets and the IDP submissions will be assessed in March 2017 for *mSCOA* compliance."

2.2 Benefits of mSCOA Segments on Budgeting

1. Project

Ensures alignment between:

- ✓ the Integrated Development Plan (IDP),
- ✓ Medium-Term Budget and Expenditure Framework (MTREF),
- ✓ Service Delivery & Budget Implementation Plan (SDBIP),
- ✓ In year monitoring & Reporting,
- ✓ Annual Financial Statement processes.

2. Funding

- ✓ Facilitates accumulation of budget information and adherence to Section 18 of MFMA.

3. Function

- ✓ Promotes Departmental Involvement and accurate reporting.

4. Region

- ✓ Indicates whether services are rendered fairly and impartially, and assists in decision making..
- ✓ Indicates whether spending is aligned to plans, and assists with decision making.

5. Item

- ✓ Promotes uniformity, and assists in benchmarking.

6. Costing

- ✓ Powerful management tool in the planning phase and assists in accurate Tariff Setting.

Mogale City has over the years been phasing a rapid development or growth, which essentially meant that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-serviced areas. Therefore, the approach adopted in developing this budget has been based on an attempt to align IDP Priorities and Strategies to National KPA's; evaluating the existing spending trends against the IDP priorities; and tracking the achievement of the legislative mandate. As such the available resources are allocated underpinned by the following principles:

- ❑ The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- ❑ The Council is also committed to ensuring that consultation on the budget takes place as widely as possible.
- ❑ To achieve balanced budgets on an affordable basis now and in future.
- ❑ The Council is further committed to levying affordable tariff increases and in this regard we have once again managed to achieve single digit increases in Rates, Electricity, Sewerage and Refuse Tariffs.
- ❑ The Council expresses its will to allocate effectively the limited resources against the ever increasing demands by looking at ways and means of reducing costs and improving efficiencies to maximize resources.

1.3. Recommended to the Municipal Council

1. That the draft annual IDP, Budget of Mogale City Local Municipality for the financial year 2017/2018 and the indicative estimates for the two projected outer years 2018/2019 and 2019/2020, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
 - 1.1. The annual IDP, Budget of the municipality for the financial year 2017/2018 and the multi-year and single year capital appropriations as set out in the following tables be considered for approval:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 (**MBRR Table A2**) on page 35;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 (**MBRR Table A3**) on page 37;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 (**MBRR Table A4**) on page 39; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5**) on page 42.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6**) on page 44;
 - 1.2.2. Budgeted Cash Flows as contained in Table 21 (**MBRR Table A7**) on page 45;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 (**MBRR Table A8**) on page 46;
 - 1.2.4. Asset management as contained in Table 23 (**MBRR Table A9**) on page 47;
 - 1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10**) on page 49.
2. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 2.1.1. the tariffs for electricity – as set out in Schedule 3 on page 72-75.
 - 2.1.2. the tariffs for the supply of water – as set out in Schedule 3 on page 76-78.
 - 2.1.3. the tariffs for sanitation services – as set out in Schedule 3 on page 79-80.
 - 2.1.4. the tariffs for property rates – as set out in Schedule 3 on page 81.
 - 2.1.5. the tariffs for solid waste removal – as set out in Schedule 3 on page 82-83
3. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 3 on page 84 -103 respectively.
4. That Municipal Standard Chart of Accounts (mSCOA) schedule 4 on page 104-114 be noted.
5. The Executive Mayor of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
6. The Executive Mayor of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.

7. That the following budget related policies be tabled for public participation:

1. Annexure 1: Property Rates Policy
2. Annexure 2: Property Rates By-Laws
3. Annexure 3: Credit Control & Debt Collection Policy
4. Annexure 4: Indigent Management Policy
5. Annexure 5: Borrowing Policy
6. Annexure 6: Budget Management Policy
7. Annexure 7: Adjustment Budget Management Policy
8. Annexure 8: Cash Management & Investment Policy
9. Annexure 9: Long Term Financial Planning Policy
10. Annexure 10: Immovable Asset Management Policy
11. Annexure 11: Virement Policy
12. Annexure 12: Supply Chain Management Policy
13. Annexure 13: Draft Model SCM Policy for Infrastructure Procurement & Delivery Management
14. Annexure 14: Unauthorised Irregular Fruitless & Wasteful Expenditure Management
15. Annexure 15: 1% Social Responsibility Policy

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2017/2018 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws
9. Mogale City Tree Management & Conservation Policy
10. Mogale City Parks By-Laws
11. Waste Tariff Policy

1.4 Executive Summary

The Municipal Finance Management Act (MFMA) No 56 of 2003 stipulates that an annual budget must be compiled and tabled in Council by 31 March. Subsequent to the budget being tabled, it should be made available for public consultation. Once the Executive Mayor has considered the inputs from communities and different stakeholders a final budget must be submitted to Council for consideration and approval a month before the start of the financial year.

This budget hereto presented has been compiled based on MFMA Circular No 86 issued on 08 March 2017 by National Treasury to guide municipalities with their preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) and, as with previous annual budget circulars it should be read within that context. The key focus of this circular is the implementation of municipal Standard Chart of Accounts (*mSCOA*) and the grant allocations as per the 2017 Budget Review.

1. DISCUSSION

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows remains under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of Mogale City's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 , 72, 75, 77, 79, 80 & 86 were used to guide the compilation of the 2017/2018 MTREF.

The main challenges experienced during the compilation of the 2017/2018 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of capital projects as projected in IDP – many projects identified in the IDP for which no confirmation of funding is received could not be included in the 2017/2018 budget projections but rather factored into the budget as part of the 2018/2019 MTREF process and new projects had to be scaled down to be within affordability.
- The need to reflect cost reflective tariffs for Water and Sanitation with double digit increase from Rand Water of 10.2 per cent.
- The cash flow constraints the municipality is currently experiencing due to huge unpaid creditors carried forward and unsatisfactorily revenue collection rate.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 MTREF:

- The Council is committed to stringent budgeting policies and parameters through a budget that seeks to strike a balance between the development challenges of the poor areas and the need to maintain the infrastructure in established areas.
- The Council is committed to ensuring that consultation on the budget takes place as widely as possible.
- To achieve balanced budgets on an affordable basis now and in future.
- Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.
- The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation.
- The Council is willing to implement the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/2018 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2017/2018 MTREF

R thousand	2015/2016 Audited Outcome	Approved Original Budget 2016/2017	Approved Adjustments Budget 2016/2017	Budget Year 2017/2018	Budget Year +1 2018/2019	Budget Year +2 2019/2020
Total Operating Revenue (including capital transfers)	2 596 952 482	2 646 646 338	2 470 680 910	2 747 904 899	2 835 060 432	2 989 441 792
Total Operating Expenditure	2 606 893 513	2 783 094 305	2 661 239 345	2 544 760 899	2 564 578 533	2 691 955 860
Surplus/(Deficit) after Capital Transfers	(9 941 031)	(136 447 967)	(190 558 435)	203 144 000	270 481 900	297 485 932
Total Capital Expenditure	434 890 630	424 968 598	275 507 851	235 522 000	293 274 000	312 745 000
Total Consolidated Budget	3 041 784 143	3 208 062 903	2 936 747 196	2 780 282 899	2 857 852 533	3 004 700 861

Total operating revenue has grown by 11 per cent or R277, 223,989 for the 2017/2018 financial year when compared to the 2016/2017 Adjustments Budget. For the two outer years, operational revenue will decrease to 3 per cent and increase to 5 per cent respectively, equating to a total revenue growth of R518,760,882 over the MTREF when compared to the 2016/2017 adjustment budget.

Total operating expenditure for the 2017/2018 financial year has been appropriated at R2, 544,760,899 and translates into a balanced cash backed budget as per mSCOA and MFMA section (1) (a) prescripts.

When compared to the 2016/2017 Adjustment Budget, operational expenditure has decreased by 4 per cent in the 2017/2018 budget and increase by 5 and 5 per cent for each of the respective outer years of the MTREF.

The capital budget of R235, 522,000 for 2017/2018 is 15 per cent less when compared to the 2016/2017 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability.** A substantial portion of the capital budget projects will be implemented during 2018/2019 and 2019/2020 financial years with a long term planning of building cash reserves over the MTREF. Own funding contributes 14 per cent in 2017/2018 of the total proposed capital budget.

1.5 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of the Council. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The revenue base for the City for other main tariffs excluding electricity, water and sanitation have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 96 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 0.31 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 10.2 per cent proposed by Rand Water still to be approved by National Parliament;
- Sanitation tariff increase of 10.2 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- Increasing debt book;
- The municipality's Indigent Management Policy and rendering of free basic services.

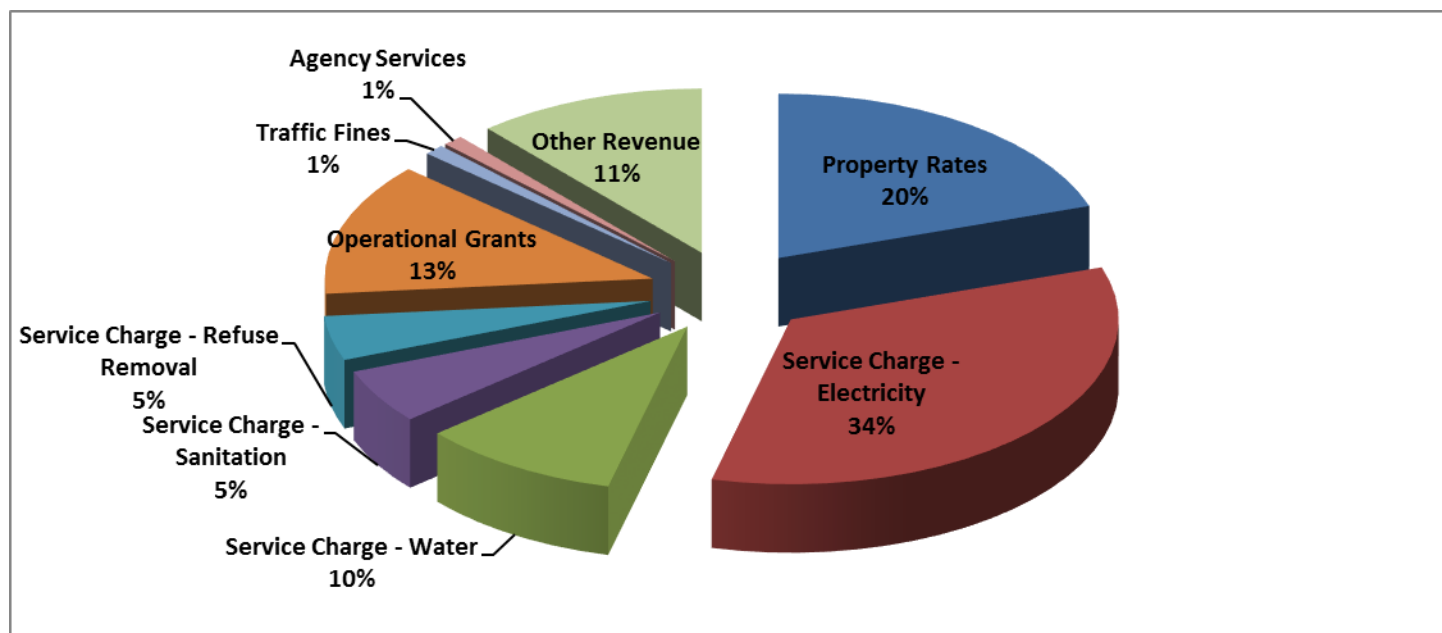


Figure 1 Main operational revenue categories

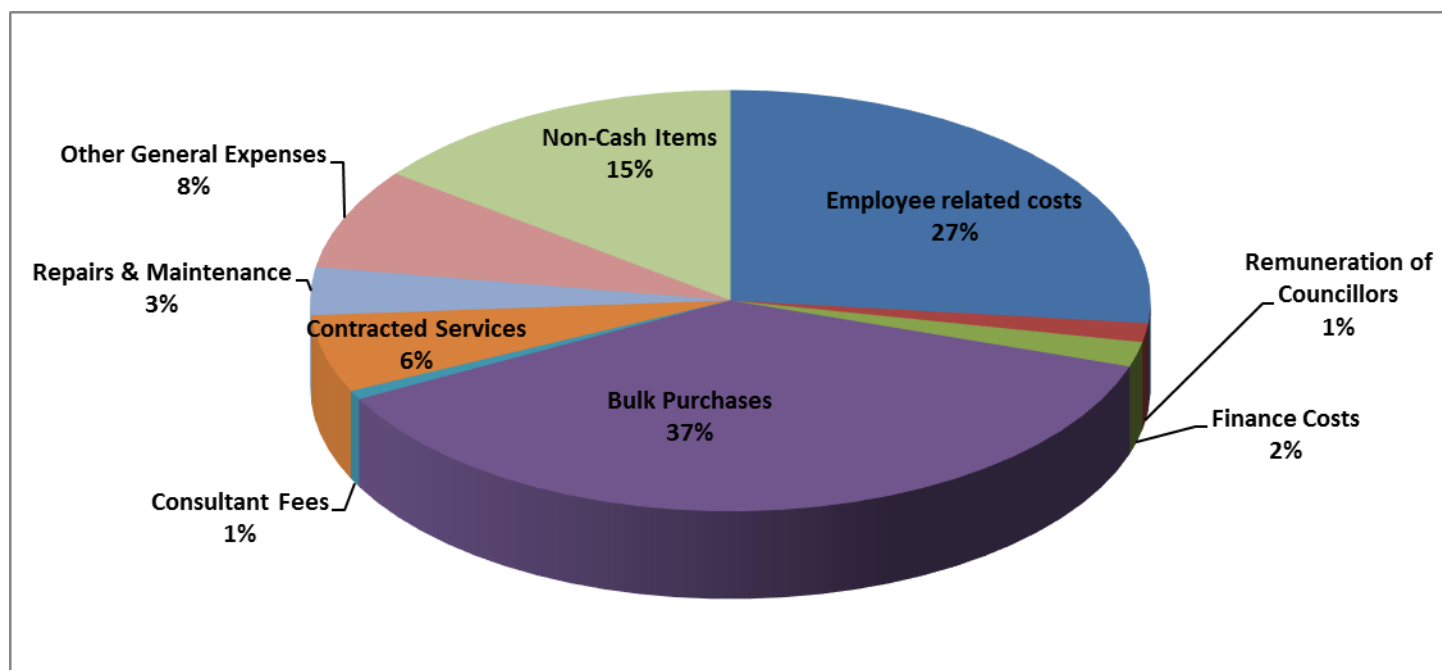


Figure 2 Main operational expenditure categories

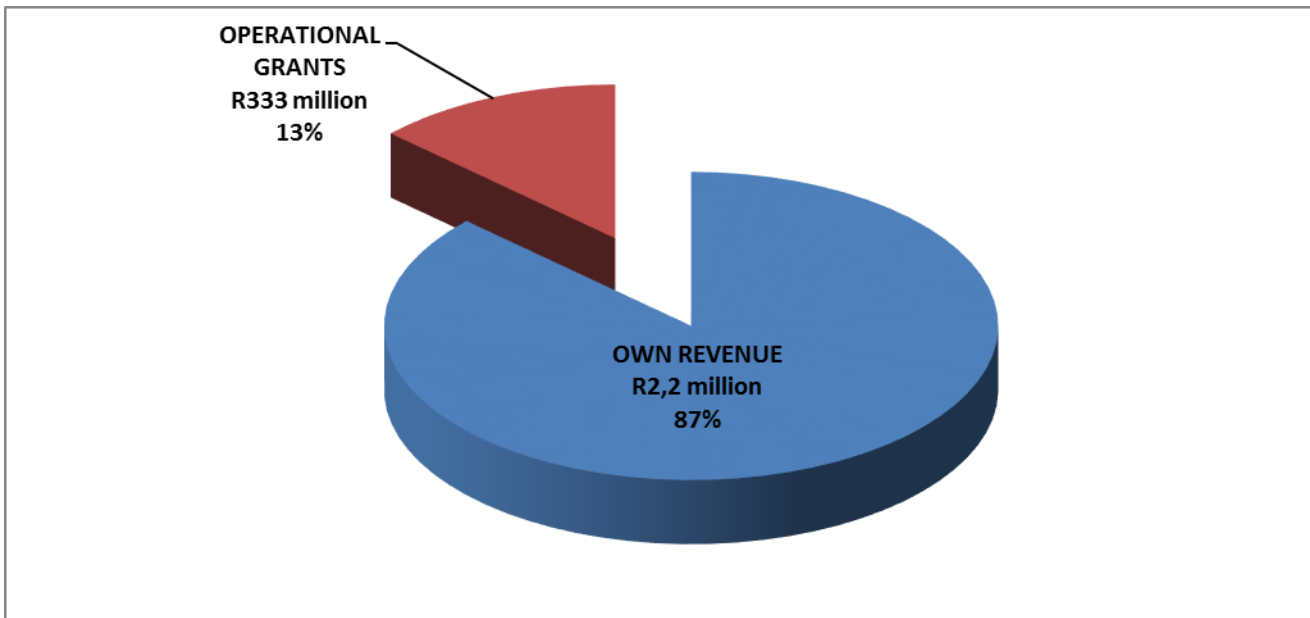


Figure 3: Source of revenue

During 2017/2018, the City's total budget amount to approximately R2.7 billion, the split between operating and capital are as follows:

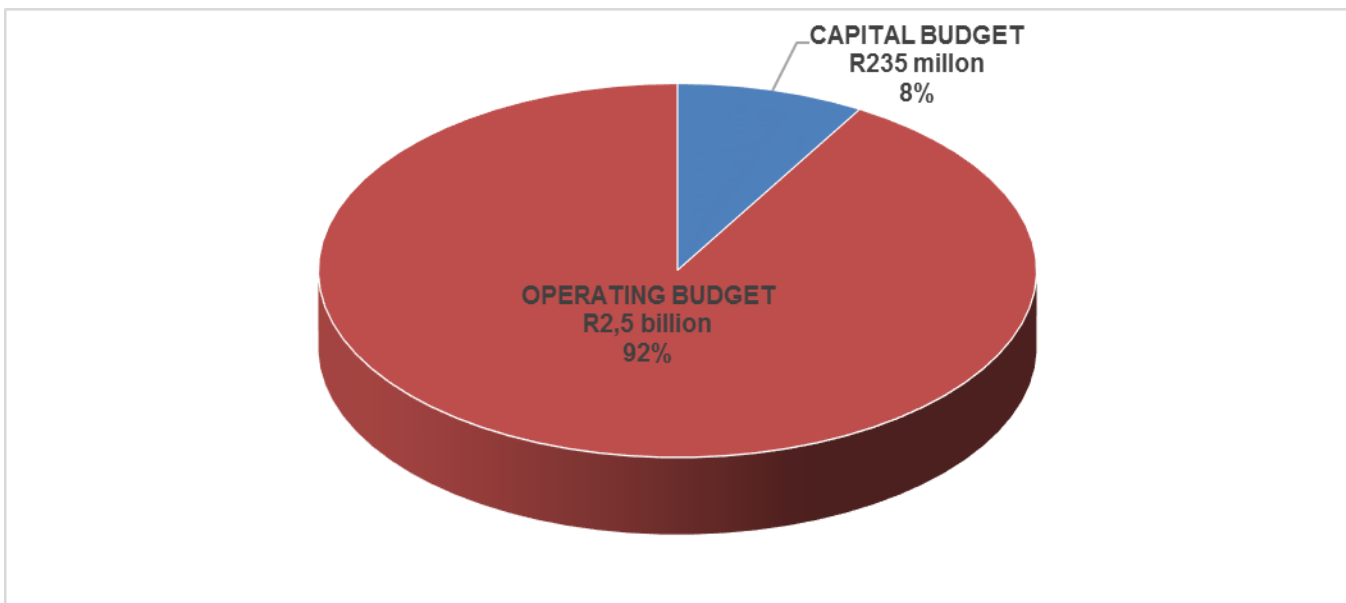


Figure 4: Operating & Capital Budget

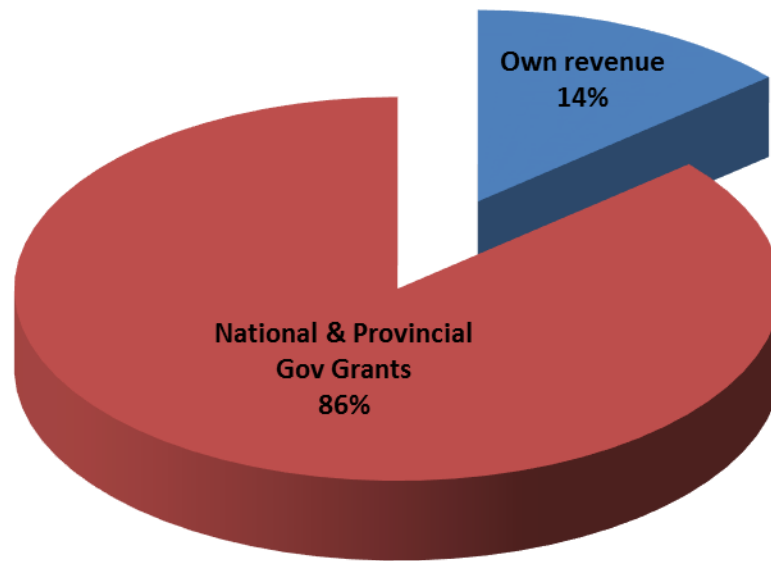


Figure 5: Capital Funding

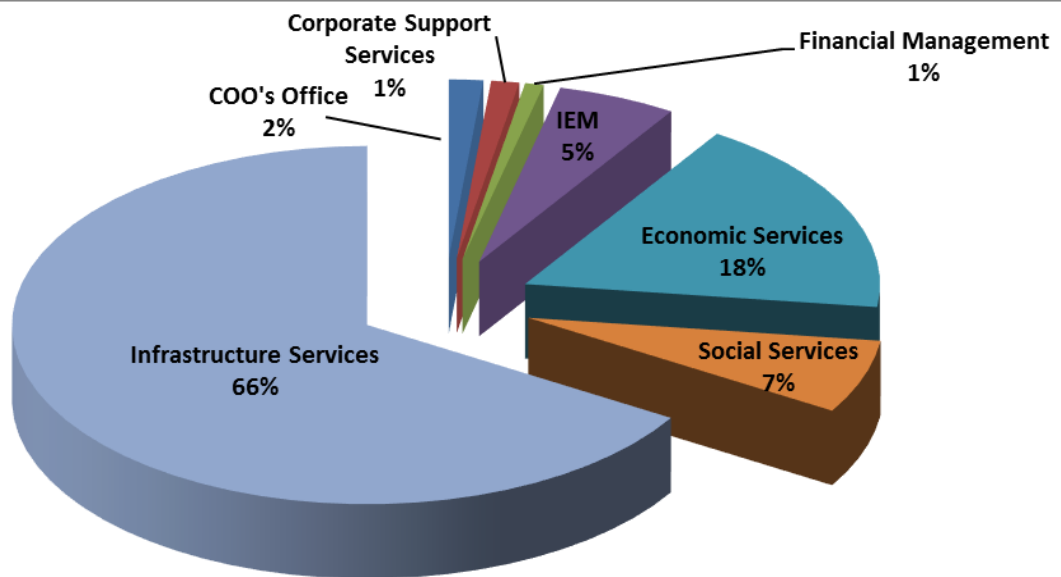


Figure 6: Capital budget per votes/departments

The following table is a summary of the 2017/2018 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year +1 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Property rates	308 723	394 495	438 295	449 640	422 224	422 224	422 224	505 638	534 459	564 389
Property rates- Penalty imposed and collection charges	32 026	24 995	25 046	24 329	30 292	30 292	30 292	32 231	34 068	35 976
Service charges - electricity revenue	723 268	775 086	834 569	909 545	845 771	845 771	845 771	865 308	867 991	870 682
Service charges - water revenue	193 750	216 547	302 196	291 001	224 651	224 651	224 651	252 058	277 768	306 101
Service charges - sanitation revenue	105 155	127 544	136 170	153 205	126 627	126 627	126 627	136 758	144 553	152 648
Service charges - refuse revenue	100 636	104 034	112 534	118 524	103 148	103 148	103 148	111 400	117 750	124 344
Rental of facilities and equipment	2 969	3 366	3 316	3 446	3 496	3 496	3 496	3 497	3 697	3 907
Interest earned - external investments	12 624	17 286	15 347	2 040	1 552	1 552	1 552	5 957	6 296	6 649
Interest earned - outstanding debtors	14 518	22 291	17 036	41 507	28 411	28 411	28 411	34 436	36 399	38 437
Dividends received	34	19	20	-	-	-	-	-	-	-
Fines	170 003	107 415	135 658	30 000	20 399	20 399	20 399	26 029	27 512	29 053
Licences and permits	28	19	28	29	21	21	21	23	25	26
Agency services	21 408	22 184	24 961	22 184	25 772	25 772	25 772	26 041	27 525	29 066
Transfers recognised - operational	239 158	250 762	272 822	298 444	297 349	297 349	297 349	332 705	375 393	415 561
Other revenue	86 097	93 814	127 037	26 801	191 433	191 433	191 433	212 680	223 351	235 858
Gains on disposal of PPE	-	-	-	20 000	0	0	0	-	-	-
Total Revenue (excluding capital transfers and contributions)	2 010 397	2 159 857	2 445 035	2 390 694	2 321 149	2 321 149	2 321 149	2 544 761	2 676 786	2 812 697

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2016/2017		2017/2018 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2017/2018	%	Budget Year +1 2018/2019	%	Budget Year +2 2019/2020	%
Property rates	422 224	18%	505 638	20%	534 459	20%	564 389	20%
Service charges - electricity revenue	845 771	36%	865 308	34%	867 991	32%	870 682	31%
Service charges - water revenue	224 651	10%	252 058	10%	277 768	10%	306 101	11%
Service charges - sanitation revenue	126 627	5%	136 758	5%	144 553	5%	152 648	5%
Service charges - refuse revenue	103 148	4%	111 400	4%	117 750	4%	124 344	4%
Service charges - other	30 292	1%	32 231	1%	34 068	1%	35 976	1%
Rental of facilities and equipment	3 496	0%	3 497	0%	3 697	0%	3 907	0%
Interest earned - external investments	1 552	0%	5 957	0%	6 296	0%	6 649	0%
Interest earned - outstanding debtors	28 411	1%	34 436	1%	36 399	1%	38 437	1%
Fines	20 399	1%	26 029	1%	27 512	1%	29 053	1%
Licences and permits	21	0%	23	0%	25	0%	26	0%
Agency services	25 772	1%	26 041	1%	27 525	1%	29 066	1%
Transfers recognised - operational	297 349	13%	332 705	13%	375 393	14%	415 561	15%
Other revenue	191 433	8%	212 680	8%	223 351	8%	235 858	8%
Total Revenue (excluding capital transfers and contributions)	2 321 149	100%	2 544 761	100%	2 676 786	100%	2 812 697	100%
Total revenue from rates and service charges	1 722 422	74%	1 871 162	74%	1 942 521	73%	2 018 163	72%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charges revenues comprise 73 per cent of the total revenue mix during 2017/2018 financial year and decreases gradually over MTREF. During 2016/2017 financial year, revenue from rates and services charges totalled R1.7 billion or 74 per cent. This increases to R1.8 billion, R1.9 billion and R2.0 billion in the respective financial years of the MTREF. A notable trend is the decrease in the total percentage revenue generated from rates and services charges which decreases from 74 per cent in 2016/2017 Adjustment Budget to 71 per cent in 2019/2020 financial year. This decline can be mainly attributed to single digit increases share that the sale of electricity contributes to the total revenue mix and budgeting for realistically anticipated revenues. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 20 per cent or R505, 637 million rand and increases to R564, 389 million by 2019/2020. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R332,705 million in the 2017/2018 financial year an increase of 12 per cent when compared to 2016/2017 Adjustment Budget this increase can attributed to Equitable Share which increase by R42,255 million, and steadily increases to R411,011 million by 2019/2020. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
EXPENDITURE:									
Operating expenditure of Transfers and Grants									
National Government:	229 221	243 843	264 858	291 020	286 278	286 278	332 705	375 393	415 561
Local Government Equitable Share	222 291	238 641	259 185	285 456	281 683	281 683	323 938	370 843	411 011
Finance Management	1 300	1 450	1 450	1 475	1 475	1 475	1 550	1 550	1 550
Municipal Systems Improvement	783	-	961	-	-	-	-	-	-
EPWP Integrated Grant	2 873	2 052	1 266	1 089	1 089	1 089	4 917	-	-
MIG (PMU)	1 974	1 700	1 996	3 000	2 031	2 031	2 300	3 000	3 000
Provincial Government:	6 265	4 267	5 056	7 424	7 986	7 986	-	-	-
Sport and Recreation	3 623	4 267	4 882	7 424	7 986	7 986	-	-	-
Social Development - GDSD	2 642	-	-	-	-	-	-	-	-
GDARD: Environmental Planning & Impact Assessment	-	-	174	-	-	-	-	-	-
District Municipality:	2 672	2 652	2 908	-	3 085	3 085	-	-	-
HIV & AIDS	2 672	2 652	2 908	-	3 085	3 085	-	-	-
Total operating expenditure of Transfers and Grants:	238 158	250 762	272 822	298 444	297 349	297 349	332 705	375 393	415 561

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality,** Tariff setting takes place within the framework of the City's Tariff Policy. The Policy is premised on the following principles:

- Social: affordability of services, promotion of access to services, cross- subsidization of the poor where necessary and feasible, simple and easy to implement tariff structure.
- Economic: competitiveness of the City, in support of macroeconomic policies of the country, tariffs must positively influence microeconomic input costs facing firms.
- Financial: Cost- reflective tariffs linked to medium term financial framework.

The percentage Rand Water bulk tariffs are beyond the mentioned inflation target. Given that this tariff increase is determined by external agency, the impact it have on the municipality's water and sanitation tariffs are largely outside the control of the municipalities.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 2.2 per cent on 01st July 2017.

On 23 February 2017, the Energy Regulator granted Eskom an annual average increase of 2.2% leading to a bulk purchase increase of 0.31% for municipalities. This is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

In developing the guideline, the following assumptions on cost increases were made:

- a) Bulk purchases will increase by 0.31% as indicated in the Eskom standard tariff submission for the 2017/18 financial year.
- b) Consumer Price Index (CPI) – 6.2%¹.
- c) Salary increase – CPI plus 1%².
- d) Repairs and maintenance, capital charges and other costs will increase by CPI.

Benchmarks are based on five tariff categories and the corresponding average consumption levels. NERSA acknowledges that these are average consumption levels and that there may also be other tariff classes at various municipalities that will cater for other customer classes or consumption levels. Where such circumstances exist, the municipality's tariff applications will be treated on a case-by-case basis.

According to the NERSA timelines, the municipal tariff guideline and benchmarks will be approved in April 2017. Municipalities are required to submit their tariff applications to NERSA as soon as possible upon receipt of the municipal tariff guideline letter.

In compliance with the provision of the Municipal Finance Management Act and the Bulk Water Supply Contract, Rand Water on the 26 January 2017 notifies Mogale City that the potable water tariff increase effective from 01 July 2017 to 30 June 2018 will be 14 per cent less 2.9 per cent rebate to customers therefore the increment will be 10.2 per cent (833.497031 cents per litre).

Stepped Tariff and Water Restrictions

Department of Water & Sanitation issued a gazette on the 12 August 2016 to limit the water use by 1 per cent and irrigation use by 20 per cent. The restriction applicable to Rand Water is therefore 15 per cent reduction in potable water sales. The 15 per cent is estimated to be 650ML/d. This will then cap the Rand Water Production to 3683ML/d. The required reduction in volumes has a significant impact to the organisations cash generation potential and planned activities for the current and subsequent years.

Each customer in Mogale City has been allocated with amounts about 78,363 KL/day that they must comply with by Rand Water.

This potable water tariff increase is an indicative tariff increase for 2017/18 financial year for Municipal budgeting processes, subject to approval by National Parliament by March 2017. Rand Water will inform all customers of the gazetted tariff increase in April 2017.

The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.5.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 86 for the 2017/18 MTREF encourages municipalities ***"to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality"***.

Some categories have been limited to rateable properties in line with MPRA Amendment section 8 (2) a-j. (Government Gazette no.37922: 18 August 2014).

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2017/18 financial year based on a **6 per cent** increase from 01st July 2017 is contained below:

Table 5 Proposed rates to be levied for the 2017/2018 financial year

Excluding VAT	2016/2017	2017/2018	Increase	PRIMARY VALUATION REDUCTION	ADDITIONAL VALUATION REDUCTION	TARIFF REBATE	ADDITIONAL REBATE
CATEGORY	R	R	6%	REBATE	REBATE		
COMMERCIAL	0,02768	0,02934	6,0%				
RESIDENTIAL	0,01384	0,01467	6,0%	-15 000	-25 000	40%	
MUNICIPAL	0,02768	0,02934	6,0%				100% (Exempted)
VACANT PROPERTIES	0,05537	0,05869	6,0%				
VACANT PROPERTIES (RESIDENTIAL)	0,00000	0,00000	6,0%	-	-	-	-
INDUSTRIAL	0,02768	0,02934	6,0%				
STATE OWNED PROPERTIES NON-RESIDENTIAL	0,02768	0,02934	6,0%				
STATE OWNED PROPERTIES RESIDENTIAL	0,01384	0,01467	6,0%	-15 000	-25 000	40%	
EDUCATION INSTUTION	0,00000	0,00000	6,0%			0%	
SECTIONAL TITLE- INDUSTRIAL	0,00000	0,00000	6,0%				
SECTIONAL TITLE- RESIDENTIAL	0,00000	0,00000	6,0%	-	-	0%	
SECTIONAL TITLE- BUSINESS	0,00000	0,00000	6,0%				
AGRICULTURAL - BUSINESS	0,02768	0,02934	6,0%				
AGRICULTURAL	0,01384	0,01467	6,0%			75%	
AGRICULTURAL - RESIDENTIAL	0,01384	0,01467	6,0%	-15 000	-25 000	40%	
GENERAL	0,00000	0,00000	6,0%				
RELIGIOUS	0,00000	0,00000	6,0%			0%	
PUBLIC BENEFIT ORGANIZATION	0,01384	0,01467	6,0%			75%	
INDIGENTS	0,01384	0,01467	6,0%	-15 000	-25 000	40%	100% (Exempted)
PENSIONER REBATE. PROPERTY TAX	0,01384	0,01467	6,0%	-15 000	-25 000	40%	40%
PUBLIC SERVICE INFRASTRUCTURE (PSI)	0,01384	0,01467	6,0%			75%	
PRIVATE OPEN SPACE (MUNICIPAL)	0,00000	0,00000	6,0%				
PRIVATE OPEN SPACE	0,01409	0,01494	6,0%			75%	
SPECIAL USE	0,02536	0,02688	6,0%				

1.5.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Municipalities must have an appropriate strategy to limit water losses to acceptable levels.

Water losses in 2015/2016 audited financial statements was 49.8 per cent or R89, 381,666, this includes 15 per cent of apparent losses. Infrastructure Department strategy must be implemented to curb these high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

Better maintenance of infrastructure, new reservoirs construction, purchase of bulk water meters and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 10.2 per cent from 1 July 2017 for water is therefore proposed.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2016/17	PROPOSED TARIFFS 2017/18	INCREASE
	Rand per kℓ	Rand per kℓ	
RESIDENTIAL			
(i) 0 to 6 kℓ	0	0	
(ii) 7 to 15 kℓ	17,54	19,33	10,2%
(iii) 16 to 30 kℓ	21,75	23,97	10,2%
(iv) 31 to 45 kℓ	25,31	27,90	10,2%
(v) 46 to 60kℓ	27,92	30,77	10,2%
(vi) 61 kl + above	30,51	33,63	10,2%
Other consumers: Schools, NGO's and Hospitals Per kl	20,32	22,39	10,2%
NON-RESIDENTIAL (Business & Industrial)			
(i) 0 – 500 kℓ	25,36	27,94	10,2%
(ii) 500 + above	19,03	20,97	10,2%

1.5.3 Sanitation and Impact of Tariff Increases

A tariff increase of 10.2 per cent for sanitation from 1st July 2017 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 10.2 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R136 million for the 2017/2018 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

Category/Land Use (Irrespective of the quantity of water supplied to the premises)	CURRENT TARIFFS 2016/2017	PROPOSED TARIFFS 2017/2018	INCREASE
	R	R	%
Additional Sewerage fixed usage 30kl /month	200,74	221,22	10,2%
Basic Charges per m2	0,03	0,03	10,2%
Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale	197,33	217,46	10,2%
Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months	6,70	7,39	10,2%
Basic Sewerage Fixed usage 30kl/month : Vacant stan	4,05	4,46	10,2%

1.4.4 Sale of Electricity and Impact of Tariff Increases

On the 23rd February 2017, the National Energy Regulator of South Africa (NERSA), issued a media statement saying that Eskom's allowed revenue for 2017/18 would result in a 2.2 per cent increase in the approved bulk tariffs for Eskom that year. NERSA's consultation paper on tariff benchmarking indicates that this will result in a 0.31 per cent increase in bulk tariffs to municipalities (the difference is due to the different financial years of Eskom and municipalities).

The Minister of Finance, at the request of the Minister of Public Enterprises, has granted an extension until 5 April 2017 for the tabling of Eskom's 2017/18 bulk prices for municipalities. Municipalities must ensure that their budgets are informed by Eskom's bulk tariff to be tabled on that date. In the meantime municipalities are advised to use the NERSA's guided 0.31 per cent bulk tariff increase when compiling their budgets. This means that any changes to the final bulk tariff increase for 2017/18 to be tabled by Eskom on the 5 April 2017 will have to be factored in at that time.

Registered indigents will again be granted 50 kWh per month free of charge.

Table 8 Proposed Electricity Tariffs

PROPOSED ELECTRICITY TARIFFS: 2017/2018					2017-2018		
					2016-17 MLCM Approved TARIFFS	2017-18 MLCM Proposed TARIFFS	Mogale City % Increase/Decrease
Updated: 2017/03/21					7,64%	0,31%	
Excluding VAT	Tariff Code				Mogale City Approved Tariffs Jul 2016 2016/2017	Mogale City Approved Tariffs Jul 2017 2017/18	2017/2018
					R	R	%
ENVIRONMENTAL ELECTRICITY LEVY							
1. Domestic - Single Consumers							
1.1. Pre-Paid							
1.1.1. Pre-Paid: Single Phase							
1.1.1.1. Energy (R/kWh)	0269	kWh Consumption: 1 - 1 000 kWh / Month			R 1,55	R 1,56	0,31%
1.1.1.2. Energy (R/kWh)	NEW	kWh Consumption: 1 001 - 1 500 kWh / Month			R 1,53	R 1,54	0,31%
1.1.1.3. Energy (R/kWh)	NEW	kWh Consumption: > 1 500 kWh / Month			R 1,60	R 1,60	0,31%
Fixed Charge (R/A/CB rating)							
1.1.2. Pre-Paid: Three Phase							
1.1.2.1. Energy (R/kWh)		kWh Consumption: 1 - 1 000 kWh / Month			R 1,42	R 1,43	0,31%
1.1.2.2. Energy (R/kWh)	NEW	kWh Consumption: 1 001 - 1 500 kWh / Month			R 1,58	R 1,58	0,31%
1.1.2.3. Energy (R/kWh)	NEW	kWh Consumption: > 1 500 kWh / Month			R 1,64	R 1,65	0,31%
Fixed Charge (R/A/CB rating)							
1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering)							
1.2.1. Energy (R/kWh)	0277	kWh Consumption: 51 - 350 kWh / Month			R 1,01	R 1,02	0,31%
1.2.2. Energy (R/kWh)	NEW	kWh Consumption: 351 - 500 kWh / Month			R 1,12	R 1,13	0,31%
1.2.3. Energy (R/kWh)	NEW	kWh Consumption: 501 - 750 kWh / Month			R 1,35	R 1,36	0,31%
1.2.4. Energy (R/kWh)	NEW	kWh Consumption: > 751 kWh / Month			R 1,60	R 1,60	0,31%
Fixed Charge (R/A/CB rating)							
1.3. Two-Part							
1.3.1. Energy (R/kWh)	0270				R 1,08	R 1,08	0,31%
1.3.2. Fixed Charge (R/A/CB rating) (60A)	0200				R 4,74	R 4,75	0,31%
1.4. Two-Part: Time-of-Use							
Energy (R/kWh):							
1.4.1. During Eskom PEAK Times	0236				R 2,76	R 2,77	0,31%
1.4.2. During Eskom STANDARD Times	0237				R 1,28	R 1,29	0,31%
1.4.3. During Eskom OFF-PEAK Times	0238				R 0,86	R 0,86	0,31%
1.4.4. Fixed Charge (R/A/CB rating)	0216				R 4,73	R 4,74	0,31%
1.5. FREE Basic Electricity							
Poor households - 50 kWh / Month					R 0,00		
2. Domestic - Bulk Consumers Low Voltage							
2.1. Three-Part							
2.1.1. Energy (R/kWh)	240				R 0,84	R 0,84	0,31%
2.1.2. Fixed Charge (Rand/Month)	212				R 526,47	R 528,10	0,31%
2.1.3. Demand Charge (R/kVA)	241				R 97,35	R 97,65	0,31%
2.1.4. Reactive Energy Charge (R/kvarh)	NEW				R 0,20	R 0,20	0,31%
2.2. Time-of-Use:							
2.2.1. Energy Charge (R/kWh)							
Peak	242	Weekdays 07:00 -10:00	Saturday 18:00 -20:00	Sunday N/A	R 3,87	R 3,88	0,31%
	243	18:00 -20:00	N/A	N/A	R 1,08	R 1,08	0,31%
Standard	244	06:00 -07:00	07:00 -12:00	N/A	R 1,08	R 1,08	0,31%
	245	10:00 -18:00	18:00 -20:00		R 0,66	R 0,66	0,31%
	246	20:00 -22:00			R 0,54	R 0,54	0,31%
Off-Peak	247	22:00 -06:00	12:00 -18:00	00:00 -24:00	R 0,46	R 0,46	0,31%
	213				R 473,81	R 475,28	0,31%
2.2.2. Fixed Charge (Rand/Month)	248				R 93,84	R 94,13	0,31%
2.2.3. Demand Charge (R/kVA)					R 0,20	R 0,20	0,31%
2.2.4. Reactive Energy Charge (R/kvarh)	NEW						
3. Domestic - Bulk Consumers High Voltage							
3.1. Three-Part							
3.1.1. Energy (R/kWh)	249				R 0,69	R 0,70	0,31%
3.1.2. Fixed Charge (Rand/Month)	214				R 4 834,64	R 4 849,63	0,31%
3.1.3. Demand Charge (R/kVA)	250				R 69,46	R 69,68	0,31%
3.1.4. Reactive Energy Charge (R/kvarh)	NEW				R 0,20	R 0,20	0,31%
3.2. Time-of-Use							
3.2.1. Energy Charge (R/kWh)							
Peak	251	Weekdays 07:00 -10:00	Saturday N/A	Sunday N/A	R 4,13	R 4,14	0,31%
	252	18:00 -20:00	N/A	N/A	R 1,15	R 1,16	0,31%
Standard	253	06:00 -07:00	07:00 -12:00	N/A	R 1,07	R 1,08	0,31%
	254	10:00 -18:00	18:00 -20:00		R 0,71	R 0,71	0,31%
	255	20:00 -22:00			R 0,57	R 0,58	0,31%
Off-Peak	256	22:00 -06:00	20:00 -07:00	00:00 -24:00	R 0,57	R 0,58	0,31%
	215				R 5 804,28	R 5 822,28	0,31%
3.2.2. Fixed Charge (Rand/Month)	257				R 83,39	R 83,65	0,31%
3.2.3. Demand Charge (R/kVA)					R 0,20	R 0,20	0,31%
3.2.4. Reactive Energy Charge (R/kvarh)	NEW						
4. Commercial and Industrial - Small Consumers							
4.1. Two-Part							
4.1.1. Energy (R/kWh)	0271				R 1,44	R 1,44	0,31%
4.1.2. Fixed Charge (R/A/CB rating)	0209				R 5,82	R 5,84	0,31%
4.2. Two-Part: Time-of-Use							
Energy (R/kWh):							
4.2.1. During Eskom PEAK Times	0233				R 2,91	R 2,92	0,31%
4.2.1.2. During Eskom STANDARD Times	0234				R 1,37	R 1,37	0,31%
4.2.1.3. During Eskom OFF-PEAK Times	0235				R 0,90	R 0,90	0,31%
4.2.2. Fixed Charge (R/A/CB rating)	0217				R 5,82	R 5,84	0,31%
4.3. Pre-Paid							
4.3.1. Pre-Paid: Single Phase							
4.3.1.1. Energy (R/kWh)	0269	Maximum Consumption: 1 000 kWh / Month			R 1,50	R 1,50	0,31%
4.3.1.2. Fixed Charge (R/A/CB rating)		NO Charge					
4.3.2. Pre-Paid: Three Phase							
4.3.2.1. Energy (R/kWh)		Maximum Consumption: 1 000 kWh / Month			R 1,87	R 1,88	0,31%
4.3.2.2. Fixed Charge (R/A/CB rating)		NO Charge					
5. Commercial & Industrial - Bulk Consumers Low Voltage							
5.1. Three-Part							
5.1.1. Energy (R/kWh)	0273				R 0,84	R 0,85	0,31%
5.1.2. Fixed Charge (Rand/Month)	0202				R 526,47	R 528,10	0,31%
5.1.3. Demand Charge (R/kVA)	0291				R 100,01	R 100,32	0,31%
5.1.4. Reactive Energy Charge (R/kvarh)	NEW				R 0,20	R 0,20	0,31%

1.5.3 Refuse Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2017 is proposed.

The following table compares current and proposed amounts payable from 1st July 2017:

Table 9 Proposed refuse removal

CATEGORY	2016/2017	2017/2018	INCREASE
MOBILE REFUSE CONTAINERS 240L BINS	Per month @		
Domestic Refuse:One removal per week per 240l container per month or part thereof	137,30	145,54	6%
Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof	823,77	873,20	6%
Business Refuse: One removal per week per 240l container per month or part threof	320,38	339,60	6%
Business Refuse:Daily removal per 240l container per month or part thereof	1 281,42	1 358,31	6%
Handling /Delivery Fees per container to be delivered	91,47	96,96	6%
Replacement of lost/damaged container (payable in advance if fault of user)	823,86	873,29	6%
BIN LINERS			
Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof	112,52	119,27	6%
Business Refuse:two removals per week with a maximum of one bin liner with a capacityof 851 per removal per month or part thereof	289,47	306,84	6%

1.6 Operating Expenditure Framework

The following table is a high level summary of the 2017/2018 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Expenditure By Type										
Employee related costs	485 526	536 545	579 792	655 743	652 198	652 198	652 198	680 012	683 098	724 084
Remuneration of councillors	24 074	25 254	26 690	28 764	34 965	34 965	34 965	37 062	37 062	39 286
Debt impairment	221 290	228 042	186 321	96 500	161 540	161 540	161 540	122 249	129 584	137 359
Depreciation & asset impairment	269 485	229 604	259 561	298 154	247 000	247 000	247 000	155 056	100 718	95 475
Finance charges	38 049	43 110	36 282	52 094	53 808	53 808	53 808	48 467	34 429	28 153
Bulk purchases	657 955	699 766	807 589	922 981	930 561	930 561	930 561	945 596	986 394	1 045 578
Contracted services	175 811	195 885	243 139	243 035	221 201	221 201	221 201	168 760	189 218	191 356
Transfers and grants	25 462	43 097	96 080	57 571	52 244	52 244	52 244	52 244	51 349	54 430
Other expenditure	210 321	236 801	292 755	321 165	222 961	222 961	222 961	241 864	239 270	250 495
Repairs & maintenance	69 372	66 562	77 459	107 087	84 761	84 761	84 761	93 451	113 457	125 740
Total Expenditure	2 177 345	2 304 666	2 605 668	2 783 094	2 661 239	2 661 239	2 661 239	2 544 761	2 564 579	2 691 956

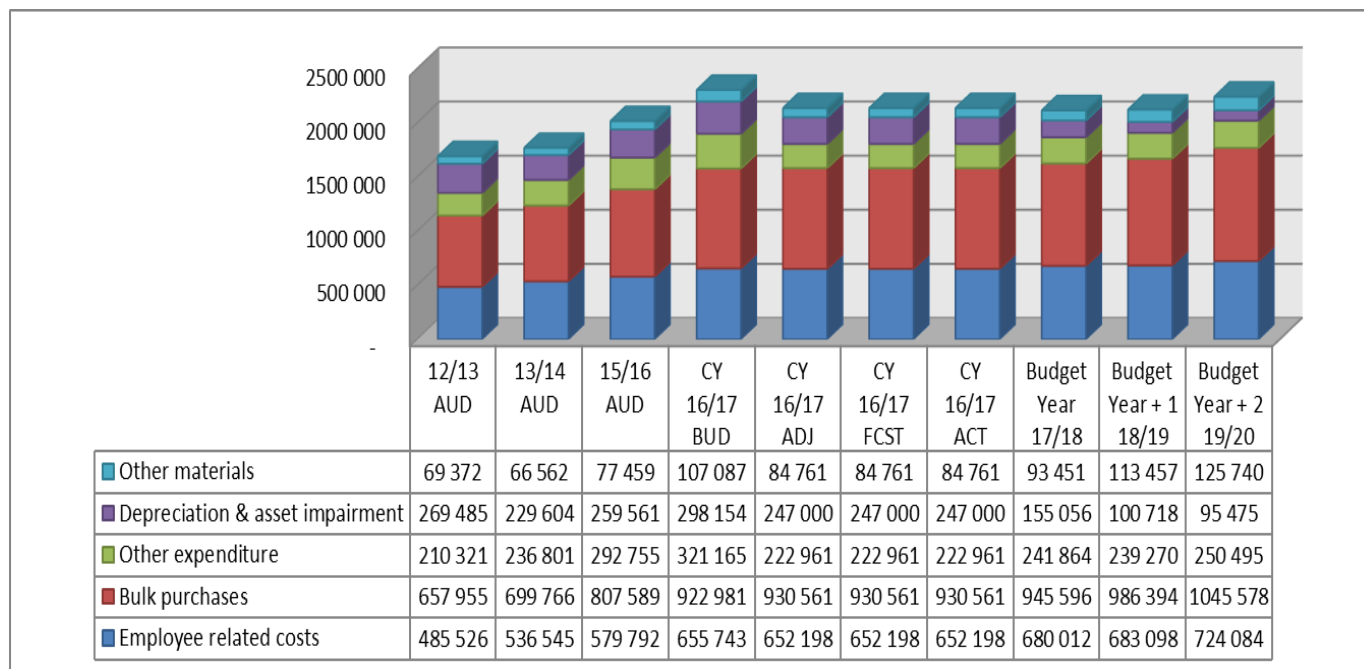
- The budgeted allocation for employee related costs for the 2017/18 financial year total R680,012,067, which equals 27 per cent of the total operating expenditure, Employee related cost overall will increase by 7.35 per cent based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:
- *2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent*
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.1600:15 December 2016) in this regard has been taken into account in compiling the City's budget and increase of 6 per cent was factored in taking into consideration.
- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2017/18 financial year this amount equates to R72, 248,780 and increased to R81, 178,729 by 2019/20. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R155, 055,501 for the 2017/18 financial and equates to 6 per cent of the total operating expenditure.
- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2 per cent or R48, 466,913 of operating expenditure excluding annual capital redemption of R118, 981,251. Total loans acquired by the City will be R453, 346,115.

- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**
- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2017/18 the appropriation against this group of expenditure is R93, 450,600 which is 5 per cent of the total operating expenditure and continues to grow at 6 per cent over the MTREF.
- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2016/17 financial year, this group of expenditure totals R241,864,117 or 10 per cent of the total operating budget this includes non-cash items of about R96,841,143 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
 - ✓ Collection costs = R21,640,238
 - ✓ Cooperatives Initiative = R2,486,873
 - ✓ Settlement Fees & Legal Costs = R15,295,800
 - ✓ Transport Costs (Fuel & e-tags) = R15,350,153
 - ✓ **Special Projects (Political Office) = R2,000,000**
 - ✓ **Special Projects (Other Depart) = R6,302,609**
 - Parks Management = R203,216
 - OR Tambo Games=R2,598,829
 - HIV/Aids programmes=R3,094,820
 - Social Upliftment = R117,188
 - Heritage programmes=R261,956
 - Employees Wellness Campaigns= R26,600
 - ✓ Other expenses = R81,947,299 (telephones & new service connections)

Due to the cash flow constraints the municipality is currently experiencing due to huge unpaid creditors carried forward and unsatisfactorily revenue collection rate the only expenditure items that has visibly been increased is the bulk purchases for both water and electricity.

The following table gives a breakdown of the main expenditure categories for the 2017/18 financial year.

Figure 7 Expenditure by major type for the 2017/2018 financial year



1.6.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2017/18 budget and MTREF provide about 34.5 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

Table 11 Operational repairs and maintenance

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Repairs and Maintenance by Expenditure Item	8										
Employee related costs		-	-	14 904	15 856	15 856	15 856	15 856	17 606	18 486	19 410
Other materials		47 210	60 871	-	98 995	79 092	63 236	78 210	78 210	97 606	108 954
Contracted Services		22 765	5 691	77 459	8 092	5 669	5 669	5 669	15 241	15 851	16 786
Other Expenditure		-	-	-							
Total Repairs and Maintenance Expenditure	9	69 975	66 562	92 363	122 942	100 617	84 761	99 734	111 056	131 943	145 150

During the compilation of the 2017/2018 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2014/2015 financial year indicated an increase of 39 per cent when compared to audited outcome of 2015/16 financial year (R92 363 221). There is an improvement when one looked at the 2016/17 Adjustment budget of about 8 per cent if we can spend the whole amount of R100 616 603.

During the 2016/17 Adjustment Budget this allocation was adjusted slightly downwards by R22, 325,896 or 21 per cent. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2017/18 equates to R93, 450,600 increased by R8, 689,788 and continues to grow at 21 per cent and 11 per cent respectively over the MTREF. In relation to the total operating expenditure budget as percentage, repairs and maintenance remains constant at 4, 4 and 4.6 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 12 Repairs and maintenance per asset class

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework	
			Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	Audited Outcome	Audited Outcome	Audited Outcome						
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	242 282	269 169	229 559	298 154	298 154	298 154	155,056	100,718	95,475
Repairs and Maintenance by Asset Class	69 372	66 355	77 080	107 087	84 761	84 761	93,450	102,557	114,187
Infrastructure - Road transport	5 691	7 351	6 391	6 707	5 137	5 137	12,593	24,723	30,006
Infrastructure - Electricity	10 472	19 185	16 017	39 109	29 850	29 850	29,892	39,930	42,326
Infrastructure - Water	2 887	5 447	-	12 125	12 104	12 104	12,472	13,921	14,756
Infrastructure - Sanitation	9 482	9 202	15 424	16 993	13 466	13 466	14,566	15,440	16,366
Infrastructure - Other	6 039	2 998	5 380	6 414	4 758	4 758	0,454	0,149	0,158
Infrastructure	34 572	44 183	43 212	81 348	65 316	65 316	69,977	94,163	103,612
Community	6 189	6 806	6 361	9 460	3 821	3 821	21,609	6,417	8,477
Other assets	28 612	15 366	27 507	16 279	15 624	15 624	1,864	1,977	2,098
TOTAL EXPENDITURE OTHER ITEMS	311 654	335 524	306 639	405 241	382 915	382 915	248,506	203,275	209,662
Renewal of Existing Assets as % of total capex	58,8%	36,1%	26,3%	27,1%	29,1%	29,1%	16,9%	10,2%	16,0%
Renewal of Existing Assets as % of deprecn"	54,2%	53,4%	53,7%	38,7%	26,9%	26,9%	25,7%	29,8%	52,4%
R&M as a % of PPE	1,3%	1,3%	1,4%	2,0%	1,6%	1,6%	1,6%	1,7%	1,8%
Renewal and R&M as a % of PPE	3,0%	4,0%	3,0%	4,0%	3,0%	3,0%	2,0%	2,0%	3,0%

For the 2017/18 financial year 75 per cent or R69, 977 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 32 per cent (R29, 892 million), followed by sanitation at 16 per cent (R14, 566 million), water at 13 per cent (R12, 472 million), community assets at 23 per cent or R21, 609 million road infrastructure at 13 per cent (R12, 593 million) of total repairs and maintenance.

1.6.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2017/18 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 49.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.7 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2017/2018 Medium-term capital budget per standard classification

	Adjusted Budget	Percentage	2017/18 Budget Year	Percentage	2018/19 Budget Year	Percentage	2019/20 Budget Year	Percentage
Capital Expenditure - Standard								
Executive and council	15	0%	3 660	2%	123 274	42%	130 745	42%
Budget and treasury office	2 000	1%	2 000	1%	-	0%	0	0%
Corporate services	7 598	3%	3 000	1%	-	0%	-	0%
Community and social services	20 141	7%	15 606	7%	15 000	5%	21 980	7%
Sport and recreation	13 225	5%	-	0%	-	0%	0	0%
Public safety	-	0%	-	0%	-	0%	0	0%
Housing	-	0%	-	0%	-	0%	0	0%
Planning and development	86 158	31%	42 269	18%	65 000	22%	75 000	24%
Road transport	43 197	16%	17 000	7%	-	0%	0	0%
Environmental protection	20 473	7%	12 785	5%	-	0%	0	0%
Electricity	17 479	6%	18 000	8%	7 000	2%	33 020	11%
Water	40 350	15%	41 500	18%	30 000	10%	52 000	17%
Waste water management	22 266	8%	79 702	34%	53 000	18%	0	0%
Waste management	2 606	1%	-	0%	-	0%	0	0%
Other	-	0%	-	0%	-	0%	0	0%
Total Capital Expenditure	275 508		235 522		293 274		312 745	

The table above provides a breakdown of the capital budget to be spent per standard classification. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- Inter City Development Programme – R20 000 000 funded by NDPG,
- Development of Munsieville industrial Park– R6 000 000 funded by own generated funds
- Coronation Park Development – R4 784 533 funded by MIG,
- West Haven Cemetery – R8 000 000 funded by MIG,
- Kagiso ECDC upgrade and extensions – R626 304 funded by MIG,
- PMU Capex- R3 659 750 funded by MIG
- Speed Calming Measures – R500 000 funded by own generated funds,
- PR6 Kagiso Ext 3 Roads & Storm water – R12 500 000 funded by MIG.
- PR15 Western Rural Areas Roads and Storm water – R4 000 000 funded by MIG,
- Water Demand Management Projects – R3 000 000 funded by own generated funds,
- Pre-Payment Water Meters Phase 3 – R6 000 000 funded by MIG,
- Magaliesburg Water Care Works Phase 1 – R77 324 413 funded by MIG,
- Dr Sefularo & Dr Motlana Housing Development – R15 269 000 funded by HSDG.
- Site & Services R1 000 000 funded by own generated funds;
- New library books and resources- R14 980 000 funded by SRAC
- Rural water and sanitation – R30 000 000 funded by WSIG
- Energy Efficiency & Demand Side Management R6 000 000
- Indigent Prepayment Installations – R3 000 000 funded by own generated funds;
- Munsieville Smart Metering Conversion R3 000 000 funded by own generated funds;
- Spruit 1x20MVA transformer + substation upgrade R3 000 000 funded by own generated funds;
- New Streetlighting – K13 – R3 000 000 funded by own generated funds;
- Water Pipeline Replacement – R2 500 000 funded by own generated funds;
- Laboratory Specialised Equipments – R500 000 funded by own generated funds;
- Capitalized Operational Items R1 878 000 funded by own generated funds;

Furthermore pages 68 to 69 contain a detail breakdown of the capital budget per project over the medium-term.

1.8 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2017/2018 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 14 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousands										
Financial Performance										
Property rates	308 723	394 495	463 341	449 640	422 224	422 224	422 224	505 638	534 459	564 389
Service charges	1 122 809	1 223 249	1 385 469	1 489 396	1 330 490	1 330 490	1 330 490	1 397 755	1 442 130	1 489 750
Investment revenue	12 624	22 291	17 036	2 040	1 552	1 552	1 552	5 957	6 296	6 649
Transfers recognised - operational	235 516	250 762	272 822	298 444	297 349	297 349	297 349	332 705	375 393	415 561
Other own revenue	327 081	269 061	306 367	151 174	269 533	269 533	269 533	302 706	318 508	336 348
Total Revenue (excluding capital transfers and contributions)	2 006 752	2 159 857	2 445 035	2 390 694	2 321 149	2 321 149	2 321 149	2 544 761	2 676 786	2 812 697
Employee costs	485 526	536 545	579 224	655 743	652 200	652 200	652 200	680 012	683 098	724 084
Remuneration of councillors	24 074	25 254	26 690	28 764	34 965	34 965	34 965	37 062	37 062	39 286
Depreciation & asset impairment	269 169	229 604	259 561	298 154	247 000	247 000	247 000	155 056	100 718	95 475
Finance charges	38 049	43 110	39 232	52 094	53 808	53 808	53 808	48 467	34 429	28 153
Materials and bulk purchases	727 328	766 328	884 669	1 030 068	1 015 321	1 015 321	1 015 321	1 039 047	1 099 851	1 171 318
Transfers and grants	25 462	43 097	97 379	59 621	52 244	52 244	52 244	52 244	51 349	54 430
Other expenditure	607 739	660 728	720 138	658 650	605 701	605 701	605 701	532 873	558 071	579 209
Total Expenditure	2 177 346	2 304 667	2 606 893	2 783 094	2 661 239	2 661 239	2 661 239	2 544 761	2 564 579	2 691 956
Surplus/(Deficit)	(170 594)	(144 809)	(161 858)	(392 400)	(340 090)	(340 090)	(340 090)	0	112 208	120 741
Transfers recognised - capital	105 109	99 243	151 918	255 952	149 532	149 532	149 532	203 144	158 274	176 745
Contributions recognised - capital & contributed	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	—
Surplus/(Deficit) for the year	(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486
Capital expenditure & funds sources										
Capital expenditure	223 553	398 868	467 886	424 969	275 508	275 508	—	235 522	293 274	312 745
Transfers recognised - capital	87 011	99 243	158 584	255 952	149 532	149 532	—	203 144	231 274	242 745
Public contributions & donations	—	1 500	64 989	—	45 658	45 658	—	—	—	—
Borrowing	23 221	174 075	63 047	2 880	2 880	2 880	—	—	—	—
Internally generated funds	113 321	124 050	181 266	166 137	77 438	77 438	—	32 378	62 000	70 000
Total sources of capital funds	223 553	398 868	467 886	424 969	275 508	275 508	—	235 522	293 274	312 745
Financial position										
Total current assets	527 037	612 461	568 894	539 920	540 353	540 353	540 353	757 911	938 426	1 244 084
Total non current assets	5 788 340	5 978 534	6 176 230	6 088 574	5 939 113	5 939 113	5 939 113	6 033 842	6 142 343	6 359 613
Total current liabilities	634 049	714 043	880 149	541 358	541 358	541 358	541 358	916 436	866 276	923 024
Total non current liabilities	514 319	750 578	746 315	668 924	668 924	668 924	668 924	603 509	575 574	562 005
Community wealth/Equity	5 167 009	5 126 375	5 118 660	5 418 212	5 269 184	5 269 184	5 269 184	5 271 808	5 638 919	6 118 668
Cash flows										
Net cash from (used) operating	207 386	251 293	372 633	273 622	243 084	243 084	243 084	501 397	508 747	536 825
Net cash from (used) investing	(323 911)	(398 868)	(467 886)	(404 969)	(275 508)	(275 508)	(275 508)	(235 522)	(293 274)	(312 745)
Net cash from (used) financing	162 914	216 768	(3 352)	(33 814)	(33 814)	(33 814)	(33 814)	(106 223)	(28 949)	(27 084)
Cash/cash equivalents at the year end	90 163	165 897	67 292	621	1 053	1 053	1 053	226 944	413 468	610 464
Cash backing/surplus reconciliation										
Cash and investments available	150 639	227 504	137 585	70 414	70 846	70 846	70 846	340 564	413 468	610 464
Application of cash and investments	309 374	335 057	516 222	4 045	766	766	766	335 505	264 150	210 022
Balance - surplus (shortfall)	(158 734)	(107 553)	(378 636)	66 369	70 080	70 080	70 080	5 059	149 318	400 442
Asset management										
Asset register summary (WDV)	5 732 853	5 915 481	6 103 485	6 018 781	5 869 320	5 869 320	5 949 787	5 949 787	6 142 343	6 359 613
Depreciation & asset impairment	269 169	229 604	259 561	298 154	247 000	247 000	155 056	155 056	100 718	95 475
Renewal of Existing Assets	131 394	143 807	123 271	115 284	80 304	80 304	80 304	39 911	30 000	50 020
Repairs and Maintenance	69 372	66 355	77 080	107 087	84 761	84 761	93 451	93 451	113 457	125 740
Free services										
Cost of Free Basic Services provided	—	—	—	—	—	—	—	—	—	—
Revenue cost of free services provided	179 639	209 196	485	371 148	349 995	349 995	350 045	350 045	257 801	272 461
Households below minimum service level										
Water:	5	8	10	8	8	8	8	8	7	8
Sanitation/sew erage:	1	7	6	5	5	5	5	5	4	5
Energy :	6	6	6	11	11	11	10	10	9	9
Refuse:	—	24	24	22	22	22	21	21	20	21

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)**

Standard Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		470 045	568 780	575 526	567 523	573 178	573 178	686 726	849 017	899 147
Executive and council		3 149	3 347	4 314	4 876	2 032	2 032	5 961	126 275	133 746
Budget and treasury office		453 113	556 462	564 799	556 523	540 494	540 494	643 406	683 253	723 698
Corporate services		13 783	8 971	6 413	6 124	30 651	30 651	37 359	39 489	41 704
<i>Community and public safety</i>		269 610	214 157	249 347	276 244	227 620	227 620	213 151	182 266	198 127
Community and social services		79 298	89 139	99 789	120 050	150 777	150 777	157 857	145 016	158 792
Sport and recreation		19 659	16 429	11 737	18 600	29 353	29 353	6 083	1 372	1 449
Public safety		170 593	108 536	137 770	30 789	27 447	27 447	33 942	35 877	37 886
Housing		60	54	52	106 805	20 043	20 043	15 269	-	-
Health		-	-	0	-	-	-	-	-	-
<i>Economic and environmental services</i>		77 668	72 402	177 793	101 261	138 304	138 304	153 037	121 728	128 545
Planning and development		16 095	17 780	120 952	50 562	79 210	79 210	104 388	87 746	92 660
Road transport		60 811	54 483	56 841	50 699	59 094	59 094	48 649	33 982	35 885
Environmental protection		762	138	-	-	-	-	-	-	-
<i>Trading services</i>		1 294 539	1 403 749	1 594 286	1 701 618	1 531 579	1 531 579	1 694 990	1 682 050	1 763 623
Electricity		762 198	821 993	881 420	963 076	898 061	898 061	930 475	940 019	950 517
Water		223 631	238 942	341 767	317 995	276 547	276 547	306 751	335 403	376 326
Waste water management		144 789	175 874	189 002	228 054	187 555	187 555	268 192	199 444	213 361
Waste management		163 921	166 940	182 097	192 494	169 416	169 416	189 572	207 185	223 419
<i>Other</i>	4	-	12	-	-	-	-	-	-	-
Total Revenue - Standard	2	2 111 861	2 259 100	2 596 952	2 646 646	2 470 681	2 470 681	2 747 905	2 835 060	2 989 442
Expenditure - Standard										
<i>Governance and administration</i>		513 446	606 639	656 178	678 096	641 281	641 281	610 806	602 616	619 250
Executive and council		79 969	85 736	99 224	117 090	94 146	94 146	103 451	106 670	112 919
Budget and treasury office		240 871	323 954	332 333	295 028	295 275	295 275	304 035	289 482	290 440
Corporate services		192 607	196 948	224 621	265 978	251 859	251 859	203 321	206 463	215 891
<i>Community and public safety</i>		387 582	367 600	427 048	391 379	411 795	411 795	378 156	391 347	411 834
Community and social services		42 474	43 254	49 037	74 635	60 917	60 917	62 424	61 044	64 139
Sport and recreation		83 341	100 015	104 554	105 985	93 930	93 930	86 604	81 461	87 410
Public safety		253 375	215 846	259 825	198 499	247 287	247 287	172 526	177 114	185 851
Housing		8 094	8 254	13 352	11 971	9 415	9 415	5 918	5 921	6 275
Health		298	230	280	288	246	246	50 684	65 808	68 159
<i>Economic and environmental services</i>		178 048	176 717	173 222	238 110	201 280	201 280	152 595	143 082	150 387
Planning and development		26 794	33 109	59 106	40 162	36 370	36 370	-	-	-
Road transport		149 017	142 578	112 132	195 651	165 271	165 271	146 029	136 542	143 466
Environmental protection		2 237	1 030	1 984	2 296	(361)	(361)	6 566	6 540	6 921
<i>Trading services</i>		1 097 463	1 151 817	1 348 821	1 471 921	1 403 338	1 403 338	1 399 550	1 424 603	1 504 878
Electricity		624 849	627 631	704 873	835 287	830 369	830 369	842 092	875 612	926 841
Water		268 775	293 647	394 383	361 221	351 910	351 910	345 107	357 165	377 342
Waste water management		79 201	87 508	99 725	124 025	113 866	113 866	111 647	125 018	131 473
Waste management		124 638	143 031	149 841	151 388	107 193	107 193	100 705	66 808	69 222
<i>Other</i>	4	807	1 894	1 623	3 588	3 546	3 546	3 653	2 931	5 606
Total Expenditure - Standard	3	2 177 346	2 304 667	2 606 893	2 783 094	2 661 239	2 661 239	2 544 761	2 564 579	2 691 956
Surplus/(Deficit) for the year		(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	203 144	270 482	297 486

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and therefore does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		R thousand								
Revenue by Vote	1									
Vote 1 - POLITICAL OFFICE		953	641	2 275	—	2 031	2 031	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		—	909	4	—	—	—	—	—	—
Vote 3 - CHIEF OPERATING OFFICER		2 196	1 797	2 035	4 876	—	—	5 961	126 275	133 746
Vote 4 - CORPORATE SUPPORT SERVICES		13 715	8 989	6 461	6 177	30 687	30 687	33 738	35 661	37 662
Vote 5 - MUNICIPAL FINANCIAL SERVICES		452 905	556 462	564 799	556 523	540 494	540 494	643 406	683 253	723 698
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		176 423	184 553	194 536	214 315	217 457	217 457	232 647	239 202	257 229
Vote 7 - SOCIAL SERVICES		279 199	218 960	261 203	170 049	186 946	186 946	182 573	179 597	195 309
Vote 8 - ECONOMIC SERVICES		16 201	17 874	121 058	157 422	99 346	99 346	123 409	91 711	96 847
Vote 9 - INFRASTRUCTURE SERVICES		1 170 269	1 268 915	1 444 581	1 537 285	1 393 720	1 393 720	1 526 171	1 479 360	1 544 951
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—
Total Revenue by Vote	2	2 111 861	2 259 100	2 596 952	2 646 646	2 470 681	2 470 681	2 747 905	2 835 060	2 989 442
Expenditure by Vote to be appropriated	1									
Vote 1 - POLITICAL OFFICE		58 491	61 989	69 988	66 977	68 410	68 410	67 479	69 632	73 669
Vote 2 - MUNICIPAL MANAGERS OFFICE		13 389	14 843	19 454	40 185	17 420	17 420	16 559	17 097	18 121
Vote 3 - CHIEF OPERATING OFFICER		11 566	18 952	20 160	19 478	18 424	18 424	19 413	19 941	21 129
Vote 4 - CORPORATE SUPPORT SERVICES		122 622	144 058	154 037	202 090	158 312	158 312	153 399	158 457	166 343
Vote 5 - MUNICIPAL FINANCIAL SERVICES		240 870	323 954	332 333	295 028	295 275	295 275	304 035	289 482	290 440
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT		178 974	198 693	207 951	220 904	164 668	164 668	164 557	129 899	137 029
Vote 7 - SOCIAL SERVICES		353 971	322 743	379 564	339 070	370 446	370 446	288 872	287 774	302 086
Vote 8 - ECONOMIC SERVICES		35 664	42 899	72 196	56 250	49 379	49 379	48 961	63 702	68 428
Vote 9 - INFRASTRUCTURE SERVICES		1 161 799	1 176 536	1 351 210	1 543 112	1 518 907	1 518 907	1 481 487	1 528 594	1 614 711
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—
Total Expenditure by Vote	2	2 177 346	2 304 667	2 606 893	2 783 094	2 661 239	2 661 239	2 544 761	2 564 579	2 691 956
Surplus/(Deficit) for the year	2	(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	203 144	270 482	297 486

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17 Surplus/ (Deficit) calculations for the trading services

Standard Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand									
Electricity:									
Total Revenue (incl capital grants and transfers)	762 198	821 993	881 420	963 076	898 061	898 061	930 475	940 019	950 517
Operating Expenditure	624 849	627 631	704 873	835 287	830 369	830 369	842 092	875 612	926 841
Surplus/(Deficit) for the year	137 348	194 362	176 547	127 788	67 693	67 693	88 384	64 407	23 676
Percentage Surplus	18%	24%	20%	13%	8%	8%	9%	7%	2%
Water:									
Total Revenue(including capital grants & transfers)	223 631	238 942	341 767	317 995	276 547	276 547	306 751	335 403	376 326
Operating Expenditure	268 775	293 647	394 383	361 221	351 910	351 910	345 107	357 165	377 342
Surplus/(deficit) for the year	-45 144	-54 706	-52 616	-43 227	-75 363	-75 363	-38 356	-21 762	-1 016
Percentage Surplus	-20%	-23%	-15%	-14%	-27%	-27%	-13%	-6%	0%

3. The electricity trading surplus is increasing over the 2017/18 MTREF from 8 per cent or R67 693 million in 2016/17 financial year to 9 per cent during 2017/18. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 18 per cent during 2013/14 to 9 per cent in 2017/18.
4. Water has experienced a deficit from 2013/14 of about 20 per cent and decreases to 13 per cent during 2017/18. The deficit is decreasing drastically, the Water Demand Management Strategy is starting to yield positive results.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source											
Property rates	2	308 723	394 495	463 341	449 640	422 224	422 224	422 224	505 638	534 459	564 389
Service charges - electricity revenue	2	723 268	775 093	834 569	902 338	845 771	845 771	845 771	865 308	867 991	870 682
Service charges - water revenue	2	193 741	216 571	302 196	291 001	224 651	224 651	224 651	252 058	277 768	306 101
Service charges - sanitation revenue	2	105 155	127 544	136 170	153 205	126 627	126 627	126 627	136 758	144 553	152 648
Service charges - refuse revenue	2	100 636	104 034	112 534	118 524	103 148	103 148	103 148	111 400	117 750	124 344
Service charges - other		9	7	-	24 329	30 292	30 292	30 292	32 231	34 068	35 976
Rental of facilities and equipment		2 969	3 366	3 316	3 446	3 496	3 496	3 496	3 497	3 697	3 907
Interest earned - external investments		12 624	22 291	17 036	2 040	1 552	1 552	1 552	5 957	6 296	6 649
Interest earned - outstanding debtors		14 518	17 286	15 347	41 507	28 411	28 411	28 411	34 436	36 399	38 437
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		170 003	107 415	135 658	30 000	20 399	20 399	20 399	26 029	27 512	29 053
Licences and permits		28	19	28	29	21	21	21	23	25	26
Agency services		21 408	22 184	24 961	22 184	25 772	25 772	25 772	26 041	27 525	29 066
Transfers and subsidies		235 516	250 762	272 822	298 444	297 349	297 349	297 349	332 705	375 393	415 561
Other revenue	2	111 844	118 790	127 057	34 008	191 433	191 433	191 433	212 680	223 351	235 858
Gains on disposal of PPE		6 311	-	-	20 000	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		2 006 752	2 159 857	2 445 035	2 390 694	2 321 149	2 321 149	2 321 149	2 544 761	2 676 786	2 812 697
Expenditure By Type											
Employee related costs	2	485 526	536 545	579 224	655 743	652 200	652 200	652 200	680 012	683 098	724 084
Remuneration of councillors		24 074	25 254	26 690	28 764	34 965	34 965	34 965	37 062	37 062	39 286
Debt impairment	3	221 290	228 042	186 321	96 500	161 540	161 540	161 540	122 249	129 584	137 359
Depreciation & asset impairment	2	269 169	229 604	259 561	298 154	247 000	247 000	247 000	155 056	100 718	95 475
Finance charges		38 049	43 110	39 232	52 094	53 808	53 808	53 808	48 467	34 429	28 153
Bulk purchases	2	657 955	699 766	807 589	922 981	930 561	930 561	930 561	945 596	986 394	1 045 578
Other materials	8	69 372	66 562	77 080	107 087	84 761	84 761	84 761	93 451	113 457	125 740
Contracted services		175 811	195 885	243 139	243 035	216 589	216 589	216 589	168 760	189 218	191 356
Transfers and subsidies		25 462	43 097	97 379	59 621	52 244	52 244	52 244	52 244	51 349	54 430
Other expenditure	4, 5	210 637	236 801	290 678	319 115	227 571	227 571	227 571	241 864	239 270	250 495
Loss on disposal of PPE											
Total Expenditure		2 177 346	2 304 667	2 606 893	2 783 094	2 661 239	2 661 239	2 661 239	2 544 761	2 564 579	2 691 956
Surplus/(Deficit)		(170 594)	(144 809)	(161 858)	(392 400)	(340 090)	(340 090)	(340 090)	0	112 208	120 741
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		105 109	99 243	151 918	255 952	149 532	149 532	149 532	203 144	158 274	176 745
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486
Taxation											
Surplus/(Deficit) after taxation		(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		(65 485)	(45 566)	(9 941)	(136 448)	(190 558)	(190 558)	(190 558)	203 144	270 482	297 486

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital transfers is R2.5 billion in 2017/18 and escalates to R2.8 billion by 2019/20. This represents a year-on-year increase of 4.9 per cent for the 2017/18 financial year and increases to 4.8 per cent for the 2019/20 financial year.
2. Revenue to be generated from property rates is R505 637 million or increase of 19.76 per cent during 2017/18 financial year and increases to R564 388 million by 2019/20 which represents 20 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1.4 billion for the 2017/18 financial year and increasing to R1.5 billion by 2019/20. For the 2016/17 financial year services charges amount to 54 per cent of the total revenue base and grows by 3 & 4 per cent per annum respectively over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government increase by 12 & 10 per cent respectively over the MTREF.

5. The following graph illustrates the major expenditure items per type.

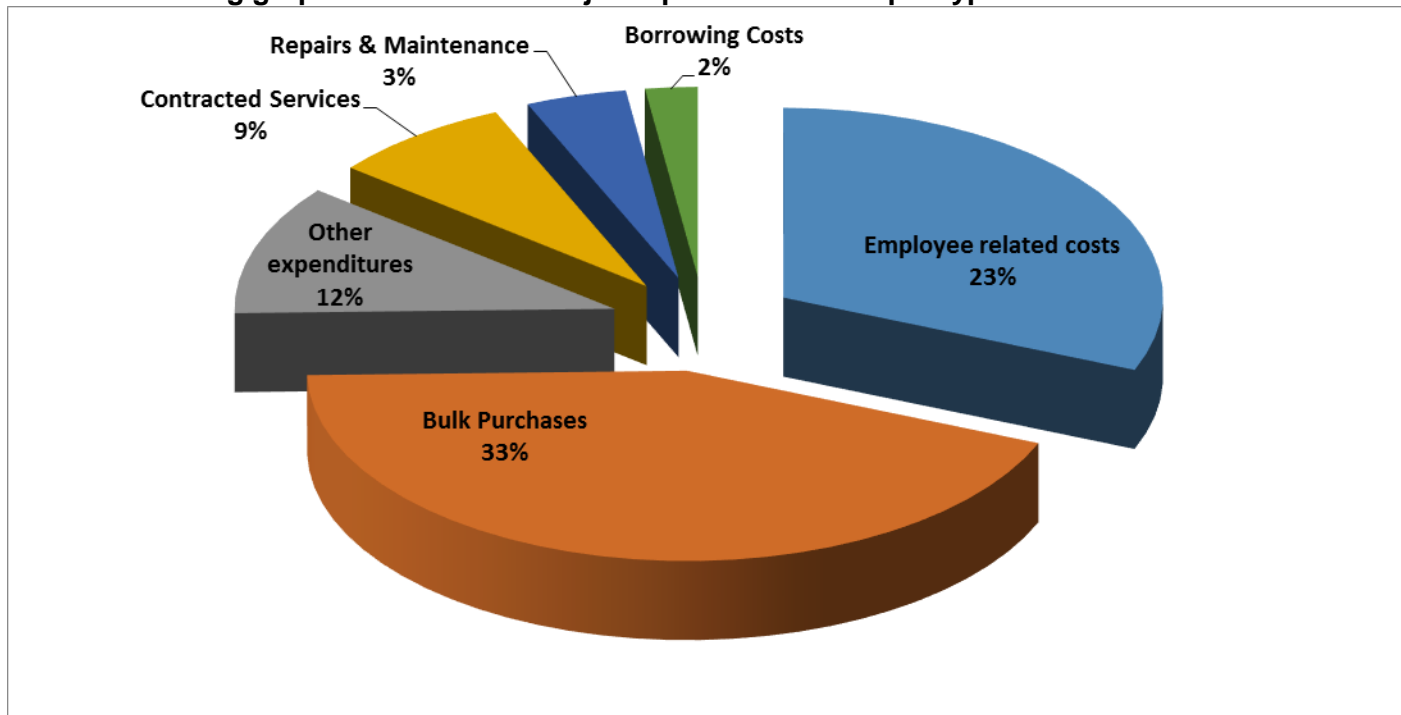


Figure 8 Expenditure by major type

6. Bulk purchases have significantly increased from 2015/16 to 2017/18 period escalating from R807 589 million to R945 596 million an **increase of 17 per cent** by Eskom and Rand Water over seven years.
7. Employee related costs, bulk purchases, other expenditures and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
8. The following graph illustrates the major expenditure items per type (over seven years).

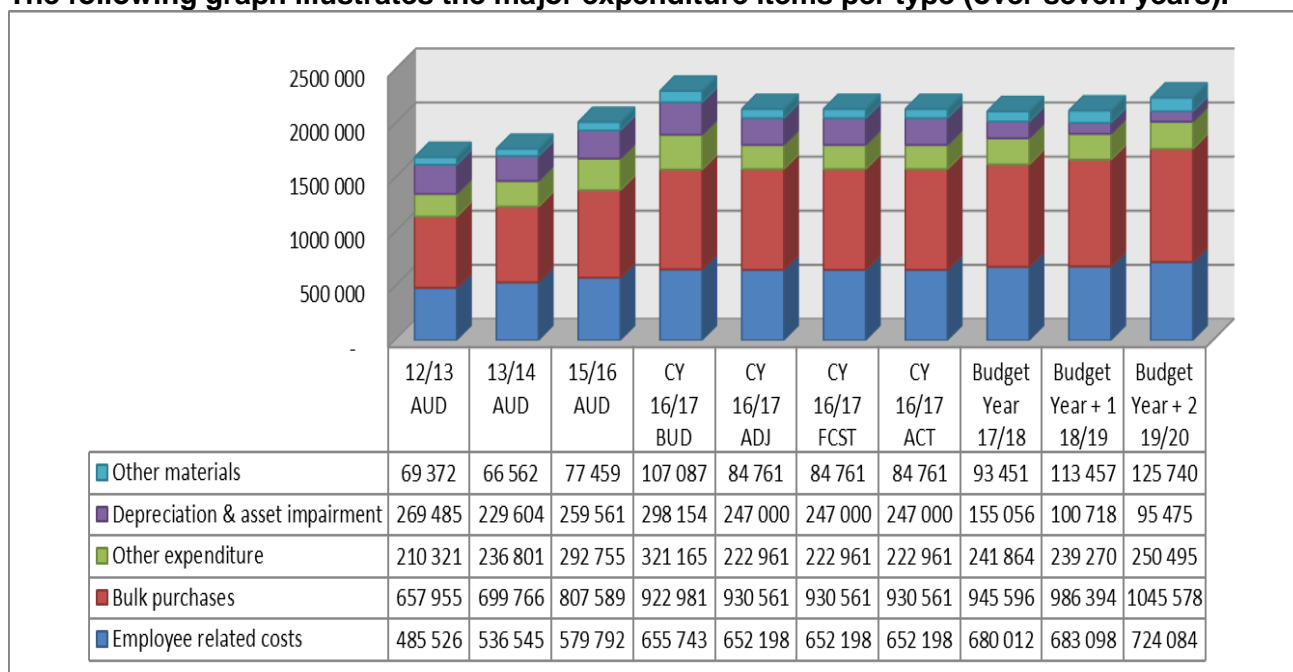


Figure 9 Expenditure by major type (over seven years)

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure - to be appropriated	2										
Vote 1 - POLITICAL OFFICE		—	—	—	—	—	—	—	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		—	—	—	—	—	—	—	—	—	—
Vote 3 - CHIEF OPERATING OFFICER		124	5	30	1 876	—	—	—	3 660	123 274	130 745
Vote 4 - CORPORATE SUPPORT SERVICES		—	—	—	—	—	—	—	—	—	—
Vote 5 - MUNICIPAL FINANCIAL SERVICES		—	—	—	—	—	—	—	—	—	—
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		17 169	34 561	24 692	18 699	18 163	18 163	—	—	—	—
Vote 7 - SOCIAL SERVICES		24 863	10 379	7 184	12 300	22 078	22 078	—	14 980	15 000	16 000
Vote 8 - ECONOMIC SERVICES		10 011	12 553	91 387	46 910	13 662	13 662	—	36 269	65 000	75 000
Vote 9 - INFRASTRUCTURE SERVICES		138 444	216 357	218 025	78 854	80 798	80 798	—	119 324	90 000	65 000
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—
Capital multi-year expenditure sub-total	7	190 610	273 854	341 318	158 639	134 701	134 701	—	174 233	293 274	286 745
Single-year expenditure - to be appropriated	2										
Vote 1 - POLITICAL OFFICE		611	357	347	—	15	15	—	—	—	—
Vote 2 - MUNICIPAL MANAGERS OFFICE		—	920	93	—	—	—	—	—	—	—
Vote 3 - CHIEF OPERATING OFFICER		1	168	—	—	—	—	—	—	—	—
Vote 4 - CORPORATE SUPPORT SERVICES		2 802	23 923	3 674	21 828	7 598	7 598	—	3 000	—	—
Vote 5 - MUNICIPAL FINANCIAL SERVICES		1 436	23 587	34 739	2 000	2 000	2 000	—	2 000	—	—
Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE		2 831	14 069	3 886	16 340	4 916	4 916	—	12 785	—	—
Vote 7 - SOCIAL SERVICES		17 104	13 097	19 782	16 186	11 288	11 288	—	626	—	5 980
Vote 8 - ECONOMIC SERVICES		—	17 659	47 924	141 502	72 496	72 496	—	6 000	—	—
Vote 9 - INFRASTRUCTURE SERVICES		8 158	31 235	16 123	68 474	42 494	42 494	—	36 878	—	20 020
Vote 10 - [NAME OF VOTE 10]		—	—	—	—	—	—	—	—	—	—
Vote 11 - [NAME OF VOTE 11]		—	—	—	—	—	—	—	—	—	—
Vote 12 - [NAME OF VOTE 12]		—	—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]		—	—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]		—	—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]		—	—	—	—	—	—	—	—	—	—
Capital single-year expenditure sub-total		32 943	125 014	126 569	266 330	140 807	140 807	—	61 289	—	26 000
Total Capital Expenditure - Vote		223 553	398 868	467 886	424 969	275 508	275 508	—	235 522	293 274	312 745
Capital Expenditure - Standard											
Governance and administration		4 974	60 093	44 351	25 703	9 614	9 614	—	8 660	123 274	130 745
Executive and council		3 176	24 186	9 021	1 876	15	15	—	3 660	123 274	130 745
Budget and treasury office		1 436	34 721	34 608	2 000	2 000	2 000	—	2 000	—	—
Corporate services		362	1 186	721	21 828	7 598	7 598	—	3 000	—	—
Community and public safety		41 967	23 476	26 966	28 486	33 366	33 366	—	15 606	15 000	21 980
Community and social services		5 346	5 591	12 162	19 978	20 141	20 141	—	15 606	15 000	21 980
Sport and recreation		36 596	17 623	14 804	8 508	13 225	13 225	—	—	—	—
Public safety		25	261	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—	—
Economic and environmental services		55 291	120 605	215 245	258 679	149 828	149 828	—	72 054	65 000	75 000
Planning and development		10 011	34 711	139 311	188 412	86 158	86 158	—	42 269	65 000	75 000
Road transport		33 944	62 449	56 234	43 838	43 197	43 197	—	17 000	—	—
Environmental protection		11 336	23 446	19 700	26 428	20 473	20 473	—	12 785	—	—
Trading services		117 909	190 019	181 004	109 352	82 701	82 701	—	139 202	90 000	85 020
Electricity		54 491	62 359	35 700	31 380	17 479	17 479	—	18 000	7 000	33 020
Water		29 447	87 634	83 634	45 900	40 350	40 350	—	41 500	30 000	52 000
Waste water management		25 307	29 340	52 749	23 463	22 266	22 266	—	79 702	53 000	—
Waste management		8 664	10 686	8 921	8 610	2 606	2 606	—	—	—	—
Other		3 412	4 676	321	2 748	—	—	—	—	—	—
Total Capital Expenditure - Standard	3	223 553	398 868	467 886	424 969	275 508	275 508	—	235 522	293 274	312 745
Funded by:											
National Government		81 512	95 478	145 396	161 424	119 846	119 846	—	172 895	198 274	226 745
Provincial Government		3 314	3 765	6 522	94 528	29 686	29 686	—	30 249	33 000	16 000
District Municipality		2 185	—	6 667	—	—	—	—	—	—	—
Other transfers and grants		—	—	—	—	—	—	—	—	—	—
Transfers recognised - capital	4	87 011	99 243	158 584	255 952	149 532	149 532	—	203 144	231 274	242 745
Public contributions & donations	5	—	1 500	64 989	—	45 658	45 658	—	—	—	—
Borrowing	6	23 221	174 075	63 047	2 880	2 880	2 880	—	—	—	—
Internally generated funds		113 321	124 050	181 266	166 137	77 438	77 438	—	32 378	62 000	70 000
Total Capital Funding	7	223 553	398 868	467 886	424 969	275 508	275 508	—	235 522	293 274	312 745

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2017/18, R174, 233 million has been allocated to capital budget of which R32, 378 million is funded from own generated revenue representing 14 per cent of the total capital budget. This allocation increases to R293, 274 million during 2018/19 and then increases to R286, 745 million during 2019/20.
3. Single-year capital expenditure has been appropriated at R61, 289 million for the 2017/18 financial year and decreases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national & provincial grants and internally generated funds to be raised during 2017/18 financial year. For 2017/18, capital transfers totals R203, 144 million or 86 per cent and increases to R242, 745 million by 2019/20 (19 per cent). Internally generated funding during 2017/18 is appropriated to R32, 378 million or 14 per cent of total capital budget, then proposed budget R62 million and R70 million for each of the respective financial years of the MTREF.

Table 20 MBRR Table A6 - Budgeted Financial Position**GT481 Mogale City - Table A6 Budgeted Financial Position**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash		27 232	31 209	26 118	—	1 053	1 053	1 053	226 944	413 468	610 464
Call investment deposits	1	69 473	134 687	41 173	621	—	—	—	29 565	—	—
Consumer debtors	1	415 978	431 213	486 264	464 122	464 122	464 122	464 122	486 264	510 577	620 245
Other debtors		296	192	200	56 455	56 455	56 455	56 455			
Current portion of long-term receivables		—	—	—	—	—	—	—			
Inventory	2	14 058	15 159	15 138	18 721	18 721	18 721	18 721	15 138	14 381	13 374
Total current assets		527 037	612 461	568 894	539 920	540 353	540 353	540 353	757 911	938 426	1 244 084
Non current assets											
Long-term receivables											
Investments		53 935	61 608	70 294	69 793	69 793	69 793	69 793	84 055	—	—
Investment property		507 368	534 027	527 178	523 512	504 512	504 512	504 512	505 131	505 131	505 131
Investment in Associate											
Property, plant and equipment	3	5 220 625	5 360 549	5 558 647	5 472 643	5 348 009	5 348 009	5 348 009	5 427 862	5 620 422	5 837 696
Agricultural											
Biological											
Intangible		4 860	20 905	17 660	22 626	16 800	16 800	16 800	16 793	16 789	16 785
Other non-current assets		1 552	1 446	2 452							
Total non current assets		5 788 340	5 978 534	6 176 230	6 088 574	5 939 113	5 939 113	5 939 113	6 033 842	6 142 343	6 359 613
TOTAL ASSETS		6 315 377	6 590 995	6 745 125	6 628 494	6 479 466	6 479 466	6 479 466	6 791 753	7 080 769	7 603 696
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	23 154	41 346	33 814	33 814	33 814	33 814	33 814	118 981	28 949	27 084
Consumer deposits		45 609	50 542	56 628	63 307	63 307	63 307	63 307	67 331	70 697	75 646
Trade and other payables	4	553 272	608 070	774 435	430 152	430 152	430 152	430 152	714 851	750 594	803 135
Provisions		12 013	14 085	15 273	14 085	14 085	14 085	14 085	15 273	16 036	17 159
Total current liabilities		634 049	714 043	880 149	541 358	541 358	541 358	541 358	916 436	866 276	923 024
Non current liabilities											
Borrowing		321 818	519 153	506 955	443 132	443 132	443 132	443 132	364 150	324 246	293 084
Provisions		192 501	231 424	239 360	225 792	225 792	225 792	225 792	239 360	251 328	268 921
Total non current liabilities		514 319	750 578	746 315	668 924	668 924	668 924	668 924	603 509	575 574	562 005
TOTAL LIABILITIES		1 148 368	1 464 620	1 626 464	1 210 282	1 210 282	1 210 282	1 210 282	1 519 945	1 441 850	1 485 029
NET ASSETS	5	5 167 009	5 126 375	5 118 660	5 418 212	5 269 184	5 269 184	5 269 184	5 271 808	5 638 919	6 118 668
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		5 159 798	5 115 941	5 106 001	5 406 484	5 253 802	5 253 802	5 253 802	5 259 148	5 625 626	6 104 445
Reserves	4	7 211	10 434	12 660	11 728	15 382	15 382	15 382	12 660	13 293	14 223
TOTAL COMMUNITY WEALTH/EQUITY	5	5 167 009	5 126 375	5 118 660	5 418 212	5 269 184	5 269 184	5 269 184	5 271 808	5 638 919	6 118 668

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement**GT481 Mogale City - Table A7 Budgeted Cash Flows**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		322 147	370 073	459 709	459 750	452 516	452 516	452 516	537 868	568 527	600 365
Service charges		906 390	1 032 472	955 110	1 430 843	1 300 198	1 300 198	1 300 198	1 365 524	1 408 062	1 453 774
Other revenue		88 261	122 560	108 222	137 492	241 122	241 122	241 122	268 270	282 109	297 911
Government - operating	1	224 377	261 967	272 642	298 444	295 559	295 559	295 559	332 705	375 393	415 561
Government - capital	1	120 383	103 677	164 871	255 952	140 390	140 390	140 390	203 144	158 274	176 745
Interest		23 886	17 286	15 347	43 547	29 963	29 963	29 963	40 393	42 695	45 086
Dividends			19	20					-	-	-
Payments											
Suppliers and employees		(1 400 128)	(1 613 651)	(1 564 055)	(2 221 240)	(2 110 612)	(2 110 612)	(2 110 612)	(2 145 796)	(2 240 536)	(2 370 033)
Finance charges		(45 421)	(43 110)	(39 232)	(52 094)	(53 808)	(53 808)	(53 808)	(48 467)	(34 429)	(28 153)
Transfers and Grants	1	(32 510)			(79 071)	(52 244)	(52 244)	(52 244)	(52 244)	(51 349)	(54 430)
NET CASH FROM/(USED) OPERATING ACTIVITIES		207 386	251 293	372 633	273 622	243 084	243 084	243 084	501 397	508 747	536 825
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-		20 000	-	-	-	-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(323 911)	(398 868)	(467 886)	(424 969)	(275 508)	(275 508)	(275 508)	(235 522)	(293 274)	(312 745)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(323 911)	(398 868)	(467 886)	(404 969)	(275 508)	(275 508)	(275 508)	(235 522)	(293 274)	(312 745)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		190 994	216 768						-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(28 080)	-	(3 352)	(33 814)	(33 814)	(33 814)	(33 814)	(106 223)	(28 949)	(27 084)
NET CASH FROM/(USED) FINANCING ACTIVITIES		162 914	216 768	(3 352)	(33 814)	(33 814)	(33 814)	(33 814)	(106 223)	(28 949)	(27 084)
NET INCREASE/ (DECREASE) IN CASH HELD		46 388	69 192	(98 605)	(165 161)	(66 238)	(66 238)	(66 238)	159 652	186 523	196 996
Cash/cash equivalents at the year begin:	2	43 775	96 705	165 897	165 782	67 292	67 292	67 292	67 292	226 944	413 468
Cash/cash equivalents at the year end:	2	90 163	165 897	67 292	621	1 053	1 053	1 053	226 944	413 468	610 464

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2016/17 mid-year review and Adjustment Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a surplus of R226,944 million and as at the end of the 2017/18 financial year project and increases to R610,464 million by 2019/20.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Cash and investments available											
Cash/cash equivalents at the year end	1	90 163	165 897	67 292	621	1 053	1 053	1 053	226 944	413 468	610 464
Other current investments > 90 days		6 541	(0)	0	–	(0)	(0)	(0)	29 565	–	–
Non current assets - Investments	1	53 935	61 608	70 294	69 793	69 793	69 793	69 793	84 055	–	–
Cash and investments available:		150 639	227 504	137 585	70 414	70 846	70 846	70 846	340 564	413 468	610 464
Application of cash and investments											
Unspent conditional transfers		8 183	1 712	14 485	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2	71 704	60 771	47 524	79 075	79 075	79 075	79 075	47 524	49 900	53 393
Other working capital requirements	3	160 568	196 882	368 647	(158 908)	(162 187)	(162 187)	(162 187)	188 654	198 214	139 470
Other provisions		14 984	14 085	15 273	14 085	14 085	14 085	14 085	15 273	16 036	17 159
Long term investments committed	4	53 935	61 608	70 294	69 793	69 793	69 793	69 793	84 055	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		309 374	335 057	516 222	4 045	766	766	766	335 505	264 150	210 022
Surplus(shortfall)		(158 734)	(107 553)	(378 636)	66 369	70 080	70 080	70 080	5 059	149 318	400 442

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that from 2013/14 to 2015/16 audited outcome indicated a shortfall of R158, 734 million and increases to R378, 636 million during 2015/16, this has put pressure in our cash flow for about 3 years. The projection for 2017/18 indicates a surplus of R5, 059 million increasing over the MTREF to R400, 442 million.
5. The objective for the final approval budget for the 2017/18 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	92 159	255 061	344 615	309 685	195 204	195 204	195 611	263 274	262 725
Infrastructure - Road transport		1 512	41 653	35 217	31 638	32 897	32 897	17 000	—	—
Infrastructure - Electricity		54 468	52 461	37 854	10 044	15 609	15 609	18 000	7 000	23 000
Infrastructure - Water		7 674	30 274	45 404	20 400	18 350	18 350	9 500	—	12 000
Infrastructure - Sanitation		5 113	13 622	35 260	21 363	21 344	21 344	79 202	53 000	—
Infrastructure - Other		—	—	—	—	—	—	—	—	—
Infrastructure		68 767	138 010	153 736	83 444	88 200	88 200	123 702	60 000	35 000
Community		7 826	19 592	11 272	12 623	12 647	12 647	44 249	33 000	21 980
Heritage assets		—	239	1 006	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets		12 824	70 323	174 956	197 791	92 342	92 342	7 660	130 274	165 745
Agricultural Assets		—	57	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		2 742	26 839	3 645	15 826	2 015	2 015	20 000	40 000	40 000
Total Renewal of Existing Assets	2	131 394	143 807	123 271	115 284	80 304	80 304	39 911	30 000	50 020
Infrastructure - Road transport		32 432	20 675	21 013	12 200	10 300	10 300	—	—	—
Infrastructure - Electricity		15	7 001	3 413	21 336	1 870	1 870	—	—	10 020
Infrastructure - Water		21 774	57 360	37 838	24 000	22 000	22 000	2 500	—	—
Infrastructure - Sanitation		20 191	15 441	17 488	1 300	400	400	30 000	30 000	40 000
Infrastructure - Other		10 070	2 483	—	—	—	—	—	—	—
Infrastructure		84 482	102 960	79 752	58 836	34 570	34 570	32 500	30 000	50 020
Community		42 755	17 555	41 179	51 848	43 703	43 703	5 411	—	—
Heritage assets		—	1 347	400	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets		4 157	21 946	1 939	4 600	2 031	2 031	2 000	—	—
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		—	—	—	—	—	—	—	—	—
Total Capital Expenditure	4	33 944	62 328	56 230	43 838	43 197	43 197	17 000	—	—
Infrastructure - Road transport		54 483	59 462	41 267	31 380	17 479	17 479	18 000	7 000	33 020
Infrastructure - Electricity		29 447	87 634	83 242	44 400	40 350	40 350	12 000	—	12 000
Infrastructure - Water		25 304	29 063	52 749	22 663	21 744	21 744	109 202	83 000	40 000
Infrastructure - Sanitation		10 070	2 483	—	—	—	—	—	—	—
Infrastructure - Other		153 248	240 970	233 488	142 280	122 770	122 770	156 202	90 000	85 020
Infrastructure		50 581	37 147	52 452	64 470	56 350	56 350	49 660	33 000	21 980
Community		—	1 586	1 406	—	—	—	—	—	—
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets		16 981	92 269	176 895	202 391	94 373	94 373	9 660	130 274	165 745
Agricultural Assets		—	57	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		2 742	26 839	3 645	15 826	2 015	2 015	20 000	40 000	40 000
TOTAL CAPITAL EXPENDITURE - Asset class	2	223 553	398 868	467 886	424 969	275 508	275 508	235 522	293 274	312 745
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		2 192 907	2 154 408	2 138 099	1 987 836	1 986 944	1 986 944	2 113 212	2 066 916	2 022 957
Infrastructure - Electricity		1 072 194	1 088 666	1 045 704	1 087 981	1 074 080	1 074 080	1 074 004	1 069 172	1 090 957
Infrastructure - Water		489 514	458 366	520 009	529 778	524 228	524 228	548 426	567 100	608 347
Infrastructure - Sanitation		560 640	478 630	493 011	629 566	628 369	628 369	672 887	716 103	693 360
Infrastructure - Other		167 151	2 483	—	206 598	200 598	200 598	2 000	42 000	42 000
Infrastructure		4 482 407	4 182 553	4 196 823	4 441 758	4 414 219	4 414 219	4 410 529	4 461 291	4 457 620
Community		704 995	581 157	722 314	923 062	832 906	832 906	875 149	864 032	905 541
Heritage assets		620	1 556	2 452	620	620	620	—	—	—
Investment properties		507 368	534 027	527 178	523 512	504 512	504 512	505 131	505 131	505 131
Other assets		32 603	595 284	637 058	107 203	100 264	100 264	142 184	295 100	474 535
Agricultural Assets		—	—	—	—	—	—	—	—	—
Biological assets		—	—	—	—	—	—	—	—	—
Intangibles		4 860	20 905	17 660	22 626	16 800	16 800	16 793	16 789	16 785
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	5 732 853	5 915 481	6 103 485	6 018 781	5 869 320	5 869 320	5 949 787	6 142 343	6 359 613
EXPENDITURE OTHER ITEMS										
Depreciation & asset impairment		269 169	229 604	259 561	298 154	247 000	247 000	155 056	100 718	95 475
Repairs and Maintenance by Asset Class	3	69 372	66 355	77 080	107 087	84 761	84 761	93 451	113 457	125 740
Infrastructure - Road transport		5 691	7 351	6 391	6 707	5 137	5 137	8 137	20 000	25 000
Infrastructure - Electricity		10 472	19 185	16 017	39 109	29 850	29 850	29 850	39 886	42 279
Infrastructure - Water		2 887	5 447	—	12 125	12 104	12 104	12 104	12 830	13 600
Infrastructure - Sanitation		9 482	9 202	15 424	16 993	13 466	13 466	13 466	14 274	15 131
Infrastructure - Other		6 039	2 998	5 380	6 414	4 758	4 758	4 759	5 044	5 347
Infrastructure		34 572	44 183	43 212	81 348	65 316	65 316	68 316	92 034	101 356
Community		6 189	6 806	6 361	9 460	3 821	3 821	4 130	4 138	6 679
Heritage assets		—	—	—	—	—	—	—	—	—
Investment properties		—	—	—	—	—	—	—	—	—
Other assets		28 612	15 366	27 507	16 279	15 624	15 624	21 005	17 285	17 705
TOTAL EXPENDITURE OTHER ITEMS	6, 7	338 541	295 959	336 641	405 241	331 761	331 761	248 506	214 175	221 215
Renewal of Existing Assets as % of total capex		58,8%	36,1%	26,3%	27,1%	29,1%	29,1%	16,9%	10,2%	16,0%
Renewal of Existing Assets as % of deprecn"		48,8%	62,6%	47,5%	38,7%	32,5%	32,5%	25,7%	29,8%	52,4%
R&M as a % of PPE		1,3%	1,2%	1,4%	2,0%	1,6%	1,6%	1,7%	2,0%	2,2%
Renewal and R&M as a % of PPE		4,0%	4,0%	3,0%	4,0%	3,0%	3,0%	2,0%	2,0%	3,0%

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. During 2017/18 financial year 16.9 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2017/18 to 2019/20 is remaining constant at 1.7 per cent. Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

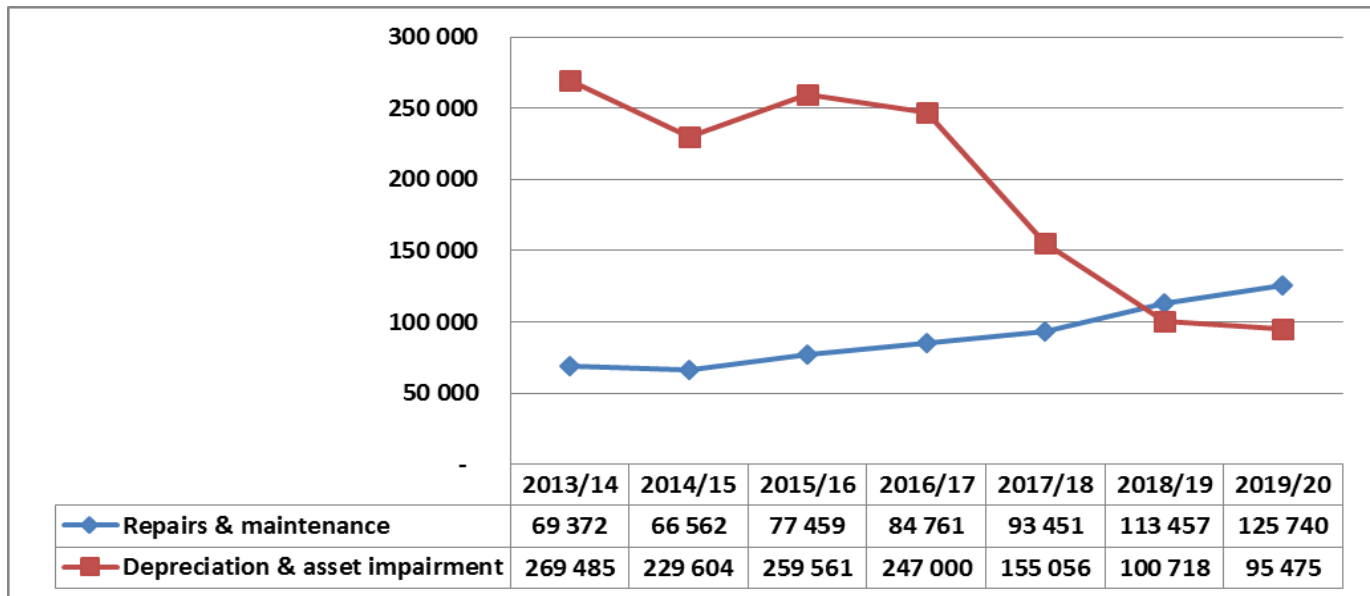


Figure 10 Depreciation in relation to repairs and maintenance over the MTREF

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Household service targets	1									
Water:										
Piped water inside dwelling		58 981	64 283	68 140	72 338	72 338	72 338	74 001	75 703	80 246
Piped water inside yard (but not in dwelling)		38 274	38 116	40 403	38 690	38 690	38 690	38 883	39 078	41 422
Using public tap (at least min.service level)	2	4 464	7 020	7 441	5 383	5 383	5 383	5 615	5 834	6 184
Other water supply (at least min.service level)	4	—	—	—	—	—	—	—	—	—
<i>Minimum Service Level and Above sub-total</i>		101 719	109 419	115 984	116 410	116 410	116 410	118 500	120 615	127 851
Using public tap (< min.service level)	3	—	4 500	4 770	3 873	3 873	3 873	3 641	3 422	3 628
Other water supply (< min.service level)	4	1 309	—	1 309	1 291	1 291	1 291	1 214	1 141	1 209
No water supply		3 613	3 454	3 613	3 117	3 117	3 117	2 930	2 754	2 919
<i>Below Minimum Service Level sub-total</i>		4 922	7 954	9 692	8 281	8 281	8 281	7 784	7 317	7 756
Total number of households	5	106 641	117 373	125 676	124 691	124 691	124 691	126 284	127 931	135 607
Sanitation/sewerage:										
Flush toilet (connected to sewerage)		124 716	91 757	124 716	101 162	101 162	101 162	103 932	106 696	113 098
Flush toilet (with septic tank)		58 400	6 781	58 400	6 815	6 815	6 815	6 474	6 150	6 519
Chemical toilet		46 109	3 430	46 109	3 404	3 404	3 404	3 234	3 072	3 256
Pit toilet (ventilated)		—	2 755	2 920	2 700	2 700	2 700	2 565	2 437	2 583
Other toilet provisions (> min.service level)		88 740	5 675	88 740	5 634	5 634	5 634	5 352	5 085	5 390
<i>Minimum Service Level and Above sub-total</i>		317 965	110 398	320 885	119 715	119 715	119 715	121 557	123 440	130 847
Bucket toilet		—	3 702	3 924	2 817	2 817	2 817	2 676	2 542	2 695
Other toilet provisions (< min.service level)		—	971	1 029	728	728	728	692	657	697
No toilet provisions		1 085	2 302	1 085	1 431	1 431	1 431	1 359	1 291	1 369
<i>Below Minimum Service Level sub-total</i>		1 085	6 975	6 038	4 976	4 976	4 976	4 727	4 491	4 760
Total number of households	5	319 050	117 373	326 924	124 691	124 691	124 691	126 284	127 931	135 607
Energy:										
Electricity (at least min.service level)		24 925	24 925	24 925	107 477	107 477	107 477	110 164	112 918	119 693
Electricity - prepaid (min.service level)		6 035	6 034	6 035	6 307	6 307	6 307	6 338	6 370	6 752
<i>Minimum Service Level and Above sub-total</i>		30 960	30 959	30 960	113 784	113 784	113 784	116 503	119 288	126 446
Electricity (< min.service level)		—	—	—	—	—	—	—	—	—
Electricity - prepaid (< min. service level)		5 823	5 823	5 823	6 086	6 086	6 086	6 117	6 147	6 516
Other energy sources		—	—	—	4 821	4 821	4 821	3 665	2 495	2 645
<i>Below Minimum Service Level sub-total</i>		5 823	5 823	5 823	10 907	10 907	10 907	9 781	8 643	9 161
Total number of households	5	36 784	36 782	36 784	124 691	124 691	124 691	126 284	127 931	135 607
Refuse:										
Removed at least once a week		81 500	93 488	81 500	103 020	103 020	103 020	105 544	108 130	114 618
<i>Minimum Service Level and Above sub-total</i>		81 500	93 488	81 500	103 020	103 020	103 020	105 544	108 130	114 618
Removed less frequently than once a week		—	2 159	2 159	2 073	2 073	2 073	1 990	1 910	2 025
Using communal refuse dump		—	3 091	3 091	2 967	2 967	2 967	2 849	2 735	2 899
Using own refuse dump		—	13 720	13 720	13 171	13 171	13 171	12 644	12 139	12 867
Other rubbish disposal		—	824	824	791	791	791	759	729	773
No rubbish disposal		—	4 091	4 091	2 668	2 668	2 668	2 498	2 289	2 426
<i>Below Minimum Service Level sub-total</i>		—	23 885	23 885	21 671	21 671	21 671	20 740	19 801	20 989
Total number of households	5	81 500	117 373	105 385	124 691	124 691	124 691	126 284	127 931	135 607
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		45 500	45 500	45 500	45 728	45 728	45 728	46 642	47 575	48 526
Sanitation (free minimum level service)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed at least once a week)		—	—	—	—	—	—	—	—	—
Cost of Free Basic Services provided - Formal Settlements (R'000)	8									
Water (6 kilolitres per indigent household per month)		—	—	—	—	—	—	—	—	—
Sanitation (free sanitation service to indigent households)		—	—	—	—	—	—	—	—	—
Electricity/other energy (50kwh per indigent household per month)		—	—	—	—	—	—	—	—	—
Refuse (removed once a week for indigent households)		—	—	—	—	—	—	—	—	—
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)										
Total cost of FBS provided		—	—	—	—	—	—	—	—	—
Highest level of free service provided per household										
Property rates (R value threshold)		—	40 000	40 000	40 000	40 000	40 000	40 000	40 000	40 000
Water (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)		6	6	6	6	6	6	6	6	6
Sanitation (Rand per household per month)		137	153	162	165	165	165	170	175	175
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		105	121	128	240	240	240	240	240	240
Revenue cost of subsidised services provided (R'000)	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)		420	485	485	500	500	500	550	600	600
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		179 219	208 711	—	228 717	214 771	214 771	214 771	257 201	271 861
Water (in excess of 6 kilolitres per indigent household per month)		—	—	—	102 975	102 975	102 975	102 975	—	—
Sanitation (in excess of free sanitation service to indigent households)		—	—	—	19 322	19 322	19 322	19 322	—	—
Electricity/other energy (in excess of 50 kwh per indigent household per month)		—	—	—	7 207	—	—	—	—	—
Refuse (in excess of one removal a week for indigent households)		—	—	—	12 427	12 427	12 427	12 427	—	—
Municipal Housing - rental rebates		—	—	—	—	—	—	—	—	—
Housing - top structure subsidies		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	—	—
Total revenue cost of subsidised services provided	6	179 639	209 196	485	371 148	349 995	349 995	350 045	257 801	272 461

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
 - a. Water services – (below minimum service level) 7 784 households are provided by water through water tankering. These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
 - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
 - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 13 400 households to be registered as indigent in 2017/18 currently Mogale City is providing free basic services to 8,113 households. The number is set to increase to 14,000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R135, 274 million in 2017/18. This is covered by the municipality’s equitable share allocation from national government.

2. Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 31 August 2016. Key dates applicable to the process were:

PHASES	ACTIVITIES	RESPONSIBLE	DATES
Phase 1 Planning Process			
	Adoption of IDP/ budget Process Plan	IDP and BTO	August 2016
	Presentation to IDP/ budget task team	IDP	August 2016
Strategic IDP/Budget workshop for Mayoral Committee and Senior Management	Presentation to councillors	IDP and BTO	October 2016
	Review of 2017/18 public participation to determine the following <ul style="list-style-type: none"> What needs to be improved for the public participation What are the possible alternatives for the next public participation? 	IDP and Public Participation Divisions	October 2016
	<ul style="list-style-type: none"> Review 1st quarter performance Determine service delivery priorities Agree on MTFF and its assumptions. Agree on initial cash limits for each department 	IDP unit and BTO	October 2016
	MEC comments review	IDP Division	Oct/Nov 2016
	Executive Managers/Managers complete stage 1 IDP/Budget input forms.	All Departments	November 2016
	Public Participation Process	Mayoral committee	Oct- Nov 2016
Phase 2 Analysis			
Community and stakeholder analysis	Community and stakeholder register	Office of the Speaker	October 2016
	Consideration of economic priorities	Financial Services	Oct/Nov 2016
	Institutional analysis	Corporate Services	Oct/Nov 2016
	Spatial Priorities	Planning and Development	Oct/Nov 2016
	Socio-Economic Priorities	IDP Unit	Oct/Nov 2016
	Institutional transformation	All Departments	Oct/Nov 2016
	Compliance with IDP legal framework	The entire municipality	Oct/Nov 2016
	Alignment of Priorities	IDP unit	Oct/Nov 2016
PHASE 3 STRATEGIES			
	Vision and Mission	The entire municipality	October 2016
	Objectives and development priorities	The entire municipality	October 2016
	Programme and Project Identification	The entire	October 2016

		municipality	
PHASE 4 PROGRAMME AND PROJECTS			
Project & programme proposals	Priority Programmes and Projects	All Departments	
Project costing	CAPEX and OPEX costing	BTO	
	Setting of project targets and indicators	All Departments	December 2017
PHASE 5 INTEGRATION			
	MEC comments	IDP unit	
	Sectoral plans		January 2017
	Operational plans	All Departments	
	Performance review	M& E	January 2017
	<ul style="list-style-type: none"> Agreement on the 2016/17 adjustment budget Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget 	IDP and BTO	January 2017
	Tabling of the midyear performance review and 2015/16 annual report	Executive Mayor	25 January 2017
	Submission of stage II input forms by Executive Managers and Manager	All Department	February 2017
PHASE 6 APPROVAL			
	Tabling of the IDP/Budget to Portfolios	IDP/Budget Office	March 2017
	Tabling of the draft IDP and budget to council	Executive Mayor	March 2017
	Public Notice inviting comments	IDP unit	March 2017
	Statutory Public Participation process		
	Responses to and incorporation of comments including portfolio Committees inputs	Exec. Mayor	April 2017
	Tabling of IDP and budget for consideration/ approval.	Municipal Council	May/June 2017
	Submission of the approved IDP to the MEC of Local Government	IDP unit	June/July 2017
	Approval of the SDBIP	Executive Mayor	June/July 2017
PHASE 7 IMPLEMENTATION			
	Project implementation in accordance with the SDBIP	All Departments	July 2017 – June 2018
	Submission of the SDBIP to Nat, Prov, Treasury	IDP	July 2017
	Monitoring	M&E	
	Review/Adjustment	All Departments	January 2018
	Submission of the Revised SDBIP to Nat, Prov, Treasury	IDP	March 2018
	Quarterly reporting MM, MEC, council	M&E	Every quarter
PHASE 8 ANNUAL REVIEW			
Draft Annual Report	Submission of unaudited Draft Annual Report to MPAC	M & E	Aug 17
	Submission of the Annual Report to	M&E	Aug 17

	AG		
	Tabling of the Annual Report	M&E	Nov 17
Oversight Report	Oversight Report made public and Submitted to National Treasury and Local Government Departments	Council	Dec 17

2.2 Overview of budget related-policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14, 2014/15, 2015/16 and 2016/17 financial years remain in force for the 2017/18 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws
9. Mogale City Tree Management & Conversation Policy
10. Mogale City Parks By-laws
11. Waste Tariff Policy

1.1.3 Review of Property Rates Policy

Changes are proposed to the 2016/2017 Property Rates Policy as follows:

1. Addition of a Vacant Residential category 7.1.9, addition of a category: Municipal Properties - 7.1.13 and Religious – 7.1.14
2. Amendment – section 11.1. (c) PSI are exempted to – 13. 1 (e) PSI are given a rebate of 75%
3. Addition to 13.1. (a) The municipality may award a 75% rebate on the assessment rates of PBO properties after owners of such properties have applied to the CFO and the application thereof approved.

2.3.4 Review of credit control and debt collection policy

Changes and additions are proposed to the 2016/17 policy as follows:

1. The clause, both residential and business/industrials customers who are found to have illegally connected the municipal services to themselves will be charges a fee in terms of the approved municipal tariff was added on clause 6.3
2. The client charged with illegal consumption/connection in terms of the approved municipal tariff clause was added on clause 6.7
3. Clause admin fee replaces cut off fee on clause 6.4.2. The municipality reserves the right to charge cost or admin fee irrespective of whether the actual action took place or not was added on clause 6.4.2. On the 7-day reminder, the electricity supply to the debtor is discontinued together with the notice for the reason of the discontinuance

1. The clause 6.14.2.11 is added: arrangements are authorized and approved by Specialist.
2. Clause: municipality may open tenants account only for consumers who are approved as indigents to allow them to benefit from the indigent program, and a permission letter from the owner will be required. The clause is added on clause 5.7.1.

Changes and additions are proposed to the 2016/17 approved policy all the changes and additions are highlighted in red on the attached policies.

2.3.5 Review of Cash Management & Investment Policy

2.3.6 Long Term Financial Planning Policy

2.3.7 Virement Policy

2.3.8 Budget Management Policy

2.3.9 Adjustment Budget Policy

2.3.10 Borrowing Policy

2.3.11 Immovable Assets Management Policy

2.3.12 Supply Chain Management Policy

2.3 Overview of budget assumptions

General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 27 per cent of total operating expenditure in the 2017/18 MTREF.

2.3.1 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2017/18 financial year.

2.3.2 Collection rate for revenue services

It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, having considered this it is prudent to assume that tariff increases will be modest going forward.

The rate of revenue collection is currently expressed as a percentage (**96 per cent**) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.3.3 Salary increases

Employee related cost overall will increase by 7.35% based on *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018.

2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

2.3.4 Impact of national, provincial and local policies

Integration of service delivery objectives between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs, particularly as it relates to what mSCOA requires. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.3.6 The South African economy and inflation targets

The 2017 Budget Review notes that while the global economic growth outlook somehow improved, South Africa remains with a cloud of policy uncertainty. These may have adverse results on South Africa's macro prudent macro-economic and fiscal policies. GDP growth is expected to increase by 1.3% in 2017 and followed by moderate improvements on the two outer year with 2% and 2.2% respectively. This positive trajectory marks a shift from several years of declining growth although it is still not high enough to markedly reduce the three major challenges the country faces, which are unemployment, poverty and inequality.

Unemployment remains stubborn and relentless, being recorded at 26.5% in the fourth quarter, job creation remains one of the most pressing concerns for the economy. The economy continues to create job opportunities for semi-skilled and skilled workers, while the unskilled are continuously relegated to the side-line of the economy, thereby reinforcing poverty and inequality.

Having considered the above factors, it is fair to assume that municipal revenues will continue to be under pressure, hence it's advisable to apply a conservative approach in projecting revenues. It is prudent to begin with a modest budget, one that will lessen the level of commitments, with the express intention to steadily build up a reserve fund. Once pressure has been alleviated from the cash flow the municipality may factor funds accumulated during the first six months in the budget when the budget review takes place in January 2018.

Mogale City is committed to focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore will ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform our planning. Financial sustainability means that future generations will not be burdened with paying for services that today's taxpayers enjoy.

1.1.7 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt)

Table 25 MBRR Table A7 - Budget cash flow statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		322 147	370 073	459 709	459 750	452 516	452 516	452 516	537 868	568 527	600 365
Service charges		906 390	1 032 472	955 110	1 430 843	1 300 198	1 300 198	1 300 198	1 365 524	1 408 062	1 453 774
Other revenue		88 261	122 560	108 222	137 492	241 122	241 122	241 122	268 270	283 561	299 445
Government - operating	1	224 377	261 967	272 642	298 444	295 559	295 559	295 559	332 705	375 393	415 561
Government - capital	1	120 383	103 677	164 871	255 952	140 390	140 390	140 390	203 144	158 274	176 745
Interest		23 886	17 286	15 347	43 547	29 963	29 963	29 963	40 393	42 695	45 086
Dividends			19	20					-	-	-
Payments											
Suppliers and employees		(1 400 128)	(1 613 651)	(1 564 055)	(2 221 240)	(2 110 612)	(2 110 612)	(2 110 612)	(2 145 796)	(2 352 744)	(2 490 774)
Finance charges		(45 421)	(43 110)	(39 232)	(52 094)	(53 808)	(53 808)	(53 808)	(48 467)	(34 429)	(28 153)
Transfers and Grants	1	(32 510)			(79 071)	(52 244)	(52 244)	(52 244)	(52 244)	(51 349)	(54 430)
NET CASH FROM/(USED) OPERATING ACTIVITIES		207 386	251 293	372 633	273 622	243 084	243 084	243 084	501 397	397 991	417 618
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-		20 000	-	-	-	-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(323 911)	(398 868)	(467 886)	(424 969)	(275 508)	(275 508)	(275 508)	(235 522)	(293 274)	(312 745)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(323 911)	(398 868)	(467 886)	(404 969)	(275 508)	(275 508)	(275 508)	(235 522)	(293 274)	(312 745)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing		190 994	216 768						-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing		(28 080)	-	(3 352)	(33 814)	(33 814)	(33 814)	(33 814)	(106 223)	(28 949)	(27 084)
NET CASH FROM/(USED) FINANCING ACTIVITIES		162 914	216 768	(3 352)	(33 814)	(33 814)	(33 814)	(33 814)	(106 223)	(28 949)	(27 084)
NET INCREASE/ (DECREASE) IN CASH HELD		46 388	69 192	(98 605)	(165 161)	(66 238)	(66 238)	(66 238)	159 652	75 768	77 789
Cash/cash equivalents at the year begin:	2	43 775	96 705	165 897	165 782	67 292	67 292	67 292	67 292	226 944	302 712
Cash/cash equivalents at the year end:	2	90 163	165 897	67 292	621	1 053	1 053	1 053	226 944	302 712	380 501

The above table shows that cash and cash equivalents of the City remains positive from 2013/14 at R90 163 million, then increases during 2017/18 financial year and over the MTREF.

2.3.5 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	90 163	165 897	67 292	621	1 053	1 053	1 053	226 944	413 468	610 464
Other current investments > 90 days		6 541	(0)	0	-	(0)	(0)	(0)	29 565	-	-
Non current assets - Investments	1	53 935	61 608	70 294	69 793	69 793	69 793	69 793	84 055	-	-
Cash and investments available:		150 639	227 504	137 585	70 414	70 846	70 846	70 846	340 564	413 468	610 464
Application of cash and investments											
Unspent conditional transfers		8 183	1 712	14 485	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	71 704	60 771	47 524	79 075	79 075	79 075	79 075	47 524	49 900	53 393
Other working capital requirements	3	160 568	196 882	368 647	(158 908)	(162 187)	(162 187)	(162 187)	188 654	198 214	139 470
Other provisions		14 984	14 085	15 273	14 085	14 085	14 085	14 085	15 273	16 036	17 159
Long term investments committed	4	53 935	61 608	70 294	69 793	69 793	69 793	69 793	84 055	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		309 374	335 057	516 222	4 045	766	766	766	335 505	264 150	210 022
Surplus(shortfall)		(158 734)	(107 553)	(378 636)	66 369	70 080	70 080	70 080	5 059	149 318	400 442

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

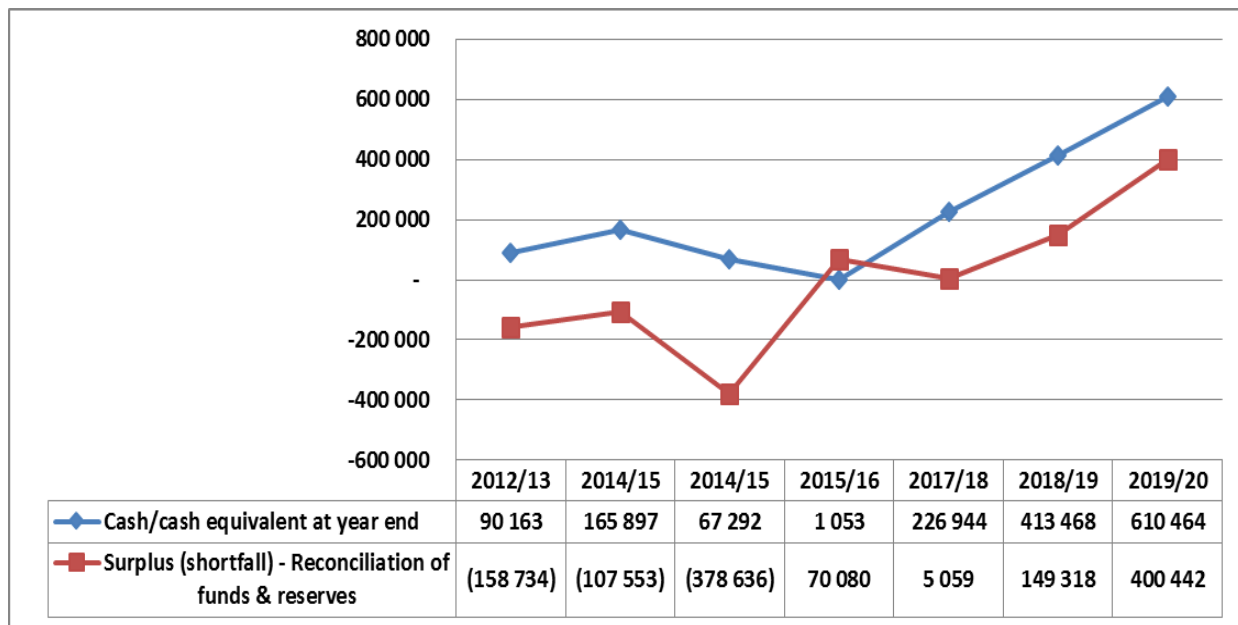


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2015, currently Mogale City have absorbed permanently all five interns. During the 2016/17 financial year employed 5 interns to undergo training in various divisions of the Financial Services. Since the introduction of the Internship programme the City has successfully employed and trained twenty eight interns through this programme and majority of them were appointed in Mogale City.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. Service Delivery and Implementation Plan

The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2017 Strategic Plan.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette No 37922 on 18 August 2014. The ratios as prescribed in the Regulations have been complied with.

8. mSCOA Implementation

The implementation of the project is still currently on course, we will be in a position to table the budget in the mSCOA format. mSCOA requires that each item of expenditure be linked to a project, this is at the core of planning. As we implement the project we are effectively moving away from item based budgeting to project driven budgeting. We will table, as an attachment to this report, an annexure which details the budget by project, and furthermore there will be additional annexure which links amounts on the budget to six segments using GUID codes. In the coming months more focus will be on change management (training), and conversion of other datasets, notably asset register and billing information from their current structure to mSCOA format.

2.5 Municipal manager's quality certificate

I Maanda Pringle Raedani, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Maanda Pringle Raedani

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____